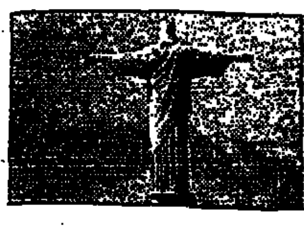
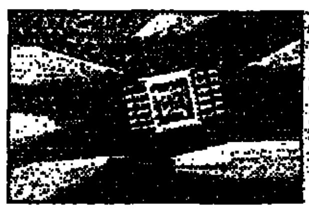


Full circle
US banks renew Latin American connection
Page 15



Chip wars
No Japanese promises on market access
Page 7

Has genius run dry?
Guinness brews more marketing magic
Page 9

US healthcare reform
Nasty medicine for the drug companies
Page 12

FINANCIAL TIMES

Europe's Business Newspaper — THURSDAY MARCH 18 1993 — D8523A

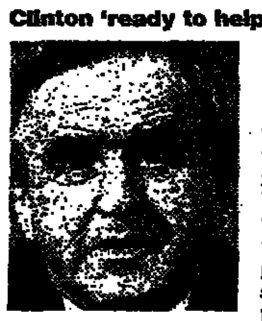
Engineering in Germany set for further output fall

Mechanical engineering companies, western Germany's leading export earners, believe output and employment will fall further this year before recovery starts in 1994. Production, which fell 6 per cent in 1992, will decline by another 5 per cent, and around 80,000 jobs will be lost, it is estimated. Page 14

Three indicted over trade centre bomb: Three men were indicted in connection with the bombing of New York's World Trade Centre that killed six people and injured more than 1,000. Meanwhile, the FBI evacuated its New York City headquarters because of a bomb scare. A police spokeswoman said the building in lower Manhattan, which includes the FBI's offices, was evacuated by the security department.

US output up 4.3%: US industrial activity continued to grow strongly last month, by 0.4 per cent, as inflation remained steady, feeding hopes of a sustained economic recovery. Output showed a 4.3 per cent gain over the past 12 months. Page 6; Lex, Page 14

Clinton 'ready to help' on N Ireland: US president Bill Clinton told Irish Republic Prime Minister Albert Reynolds (left) that the US stood "ready to help" end violence in Northern Ireland, but the best hope for peace was talks between the Irish and British governments. Mr Clinton said his campaign proposal to send a special US representative to Ireland remained under "serious consideration".



Aspin to have pacemaker: Les Aspin, US defence secretary, has returned to hospital, where he is expected to have a pacemaker implanted. His condition has added to the Clinton administration's problems in putting together a much reduced defence budget.

US ambassadors named: Raymond Flynn, mayor of Boston for 10 years, and Jean Kennedy Smith, of the US's most famous political family, were among important ambassador appointments announced. Page 14

Bank's 'ethical' stand pays off: The UK Co-operative Bank's positioning of itself as an "ethical" bank helped raise its retail deposits by 13 per cent last year, and return a profit after two years of losses. Page 15

EC proposes environment code: The European Commission started a drive to set up an enforceable code of civil liability for environmental damage. It would ensure damage is repaired, even where precise legal blame is difficult to prove. Page 2; Paler shade of green, Page 13

Deutsche Bank rethinks stake: A Deutsche Bank director responsible for corporate finance said Daimler Benz and the bank had decided it was inappropriate for the bank's stake to stay at 28 per cent. But he said there were no immediate plans to reduce the holding. Page 15

Hoogovens, the Dutch steel and aluminium group, saw steep price cuts and a stream of cheap imports from eastern Europe help to widen sharply net losses to Fl 585m ($318m). Page 15

France seeks EC action on fish: France today asks the European Commission's fisheries council meeting in Brussels for a 30 per cent increase in minimum prices imposed on fish imports and for imports of Russian cod to be suspended. Page 22

Tokyo resists market share targets: Japan will vigorously resist US pressure to accept more market share targets or any other numerical measure of market openness, a senior official at the Ministry of International Trade and Industry said. Page 7

Angolan troops aim to retake Huambo: Angolan government troops captured a Unita-held town are heading towards Huambo, which Unita captured two weeks ago after a two-month battle.

Schoolboy hacker acquitted: A Yorkshire schoolboy who hacked into computers operated by the Financial Times and others was acquitted of charges brought in a test case. Page 8

Algerian assembly member killed: Gunmen shot dead a member of Algeria's National Consultative Assembly, Doctor el-Hadi Flici, a medical doctor and well-known Algerian intellectual.

■ STOCK MARKET INDICES

FT-SE 100:	2889.9	(-29.4)
Yield	4.18	
FT-SE Eurotrack 100	1148.1	(-5.43)
FT-A All-Share	1414.57	(-0.7%)
Nikkei	18,173.37	(+205.07)
New York lunchtime		
Dow Jones Ind Ave	3448.52	(-2.43)
S&P Composite	449.92	(-1.45)

■ US LUNCHTIME RATES

Federal Funds:	3%
3-mo Treas Bills: Yld	3.024%
Long Bond	103 $\frac{7}{16}$
Yield	6.869%

■ LONDON MONEY

3-mo Interbank	6%	(Same)
Liffe long gilt future:	Jun 106	(Jun 105$\frac{13}{32}$)

■ NORTH SEA OIL (Argus)

Brent 15-day (Apr)	$18.77	(18.68)

■ Gold

New York Comex (Apr)	$329.7	(329.6)
London	$329.05	(328.75)

■ STERLING

New York lunchtime:		
$	1.4585	
London:		
$	1.451	(1.445)
DM	2.415	(2.4025)
FFr	8.21	(8.1675)
SFr	2.2225	(2.2)
Y	170	(168.75)
£ Index	78.1	(77.7)

■ DOLLAR

New York lunchtime:		
DM	1.66435	
FFr	5.65825	
SFr	1.535	
Y	117.415	
London:		
DM	1.664	(1.663)
FFr	5.6575	(5.6525)
SFr	1.5315	(1.522)
Y	117.15	(116.8)
$ Index	66.6	(66.5)
Tokyo close Y 116.95		

Austria	Sch30	Greece	Dr300	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft172	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lw25.00	India	Rs40	Neth	Fl 3.75	Slovak Rp	Kcs45
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira25	Spain	Pta200
Czech Rp	Kcs45	Israel	Shk5.90	Norway	NKr16.00	Sweden	SKr15
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Switz	SFr3.20
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Syria	S£50.00
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Thailand	Bht50
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Tunisia	Din1.250
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	Turkey	L7000
						UAE	Dh11.00

Brittan warns of US trade curbs

EC rules out concessions as contracts row escalates

By David Dodwell and Lionel Barber in Brussels

THE EUROPEAN Community yesterday ruled out concessions in the escalating dispute with the US over government procurement practices and predicted that the Clinton administration would impose sanctions from Monday.

Sir Leon Brittan, EC commissioner for external economic relations, said he was "certain" the US would bar European companies from certain federal contracts, in spite of today's meeting in Washington between President Bill Clinton and Mr Jacques Delors, president of the European Commission.

The long-planned White House meeting between Mr Clinton and Mr Delors has taken on sharper focus because of trade tensions between the US and EC, but Sir Leon said only "a big deal" between the two leaders would deflect sanctions. The prospects for such a deal were remote, he said.

Senior EC officials said the Community had drawn up retaliatory measures, but would wait until after a meeting in Brussels between Sir Leon and Mr Mickey Kantor, US trade representative, in Brussels in 10 days' time.

The Brussels talks would give Mr Kantor a chance to explain US trade policy in the light of recent inflammatory rhetoric and an apparent preference for unilateral action, the EC official said.

Mr Kantor surprised EC and his own officials last Friday by cancelling two days of talks in Brussels on the procurement dispute.

The decision was apparently made after the EC refused to suspend article 29 of its new Utilities Directive which gives a 3 per cent price preference to European companies bidding for government contracts in telecommunications, energy and water.

Sir Leon this week sought to defuse the row by offering to sponsor jointly with the US an independent report into the facts of the dispute. Asked yesterday if he would waive article 29 while such a study was under way, Sir Leon replied: "No way."

The EC directive came into effect at the beginning of the year. In the first 10 weeks of the directive's life, 1,000 contracts have been notified that previously would not have been open for international tender, worth about Ecu15bn ($17.7bn), according to an EC official.

The US has indicated that it intends to bar European companies from about $40m of federal contracts. The sum is small in comparison to the vast government procurement market, but it has taken on added significance because of parallel disputes over aviation and steel subsidies, and the continuing impasse in the Uruguay Round of Gatt trade talks.

Sir Leon expressed some frustration at the "muscle flexing" the US was doing at the expense of the EC, but insisted that he remained confident that "on the big picture, the US still says it wants to reach an agreement".

"What is actually happening at present is that the new administration is seeking to show how strong they are in a series of sectoral measures, some of which are pretty transparent – such as demanding consultations, when agreements call for consultations automatically, like Mr Kantor did last weekend."

"There's the risk that actions to show how macho you are through a series of gestures and confrontations could lead to things getting out of hand."

Delors takes a gamble in Washington, Page 14

Beijing steps up war of words with threat to ignore democratic poll result

Patten attacked over HK reforms

By Simon Holberton in Hong Kong and Tony Walker in Beijing

CHINA yesterday stepped up the war of words over the future of Hong Kong, threatening to ignore the results of democratic elections proposed by Mr Chris Patten, the colony's governor, once it assumes control in 1997.

It also accused him of slamming the door on further talks.

Mr Lu Ping, China's senior official for Hong Kong affairs, said that if Mr Patten pressed ahead with his democratic reforms Beijing would start a "new kitchen" in 1997 – a Chinese expression which means making a fresh start.

Mr Lu also added his voice to personal criticism of the governor, saying that he would be condemned by history over his handling of the Hong Kong issue.

Speaking at a Beijing press conference, he left the door open, however, for further contacts with Britain, saying that China "always stands for co-operation, and not confrontation".

In London the Foreign Office stressed that it was still offering "talks at any time". An official added: "The only sensible way forward is for the two sides to sit down and discuss without preconditions the points of difference between us."

The remarks by Mr Lu, head of China's Hong Kong and Macao Affairs office, were greeted with relief by the Hong Kong stock market, which had been bracing itself for a more uncompromising stand.

The Hang Seng index was some 200 points down before Mr Lu's press conference, but recovered most of its losses to close at 5,958.33, down 21.7 on the day.

"We will construct a kitchen in accordance with the design in the Basic Law," Mr Lu said. "We have to do this because the kitchen started by Mr Chris Patten before 1997 will not converge with the stipulations of the Basic Law after 1997." The Basic Law is a mini-constitution for Hong Kong after 1997 which was approved by China's parliament in 1990.

Mr Lu said that China would have to make preparations ahead of 1997 for the cancellation of Mr Patten's proposed democratic reforms. But he refrained from repeating economic threats made by China last year, although it seems unlikely in these circumstances that Britain will win China's agreement to complete Hong Kong's US$175bn airport project, or further develop the colony's container port.

In Hong Kong, Mr Patten reiterated his preparedness to hold talks with China about his proposed 1994-95 elections. But in spite of the governor's attempts to calm growing concerns over the row with Beijing, local politicians were pessimistic about an early solution.

Background, Page 4

Lu Ping, senior Chinese official for Hong Kong affairs, launches his attack on governor Chris Patten

Yeltsin outlines steps to closer CIS integration

By John Lloyd in Moscow

PRESIDENT Boris Yeltsin laid out proposals yesterday for the closer "integration" of the members of the Commonwealth of Independent States, claiming that the 15-month-old organisation had so far been ineffective.

Mr Yeltsin, in a declaration read out by Mr Andrei Kozyrev, the foreign minister, described the association of former Soviet republics as amorphous and "unable to fulfil the hopes invested in it".

"While not aspiring to any 'leading role', we are conscious of our responsibility to co-operate closely with all independent states," the declaration said. Mr Kozyrev continually stressed that the initiative was not designed to reassert the "big brother" role of Russia. "I don't think any magnifying glass will help you find any neo-imperialist designs in this," he said.

He said the declaration was primarily intended to address both the burgeoning conflicts on Russia's borders and to establish some financial discipline upon those states which remain in the rouble zone and are thus bankrolled by the Russian central bank.

Mr Kozyrev said the initiative was designed to increase economic co-operation, in particular through the creation of "modern market techniques of integration" – the setting up of multinational companies and the encouragement of investment in each other's projects. That approach had been foreshadowed by a gathering of CIS heads of state in Russia's oil region of Tyumen, where they were encouraged to invest in production.

The declaration follows a speech last month by Mr Yeltsin asking for "understanding" from the United Nations and the international community for Russia's intention to intervene in conflicts in the former Soviet Union, and to remain the region's hegemonic power. That speech was denounced by the leadership of Ukraine. Ukraine is the most reluctant of the CIS members, with Moldova and Turkmenistan.

The initiative is unlikely to fare much better, in spite of prospective agreements between Ukraine and Russia on gas prices and the former Soviet debt.

Yeltsin's decision was made as he held meetings of the Security Council and his Presidential Council of advisers to address the political and economic crisis, although his advisers said the declaration on the CIS and the

Continued on Page 14

Bayer suffers sharp decline in sales

By Paul Abrahams in Leverkusen

BAYER, one of Germany's big three chemicals companies, said its worldwide sales fell by 11 per cent in the first two months of this year. Sales in Germany were down 8 per cent this year so far.

Mr Manfred Schneider, chairman, said there was no prospect of a recovery in Europe during 1993. He warned that prices worldwide might fall by 1.5 per cent in the course of the year and said deteriorating conditions in Germany could force Bayer to concentrate abroad, primarily the US and Japan. Healthcare reforms introduced in January could mean there was no longer a place in Germany for research-based drug companies.

In the last quarter of 1992, pre-tax profits in Bayer's German subsidiary halved.

Mr Schneider said preliminary figures for the first half of March suggested that month-on-month sales figures had stabilised. But he added that it should be remembered that last autumn the Bayer board forecast 3 per cent growth in group sales for 1993.

Over the year Bayer expected a fall in German sales of between 5 and 7 per cent.

The company announced short-time working for 3,000 employees following a collapse in demand for dyes, coating raw materials and polyurethanes. Chemicals plants' operating rates fell below 70 per cent during February, the first time they had done so since the early 1980s.

Worldwide pre-tax profits for the fourth quarter of last year fell 17 per cent to DM469m ($282m) on sales down 4.4 per cent at DM9.45bn. For the year, group profits fell 16 per cent to DM2.7bn on turnover down 2.8 per cent. The dividend was cut from DM13 to DM11 a share.

The decline in turnover was accentuated by the strength of the D-Mark which reduced sales by 3 per cent, Mr Schneider said.

Agrochemicals sales were hit by adverse weather and because farmers were using smaller quantities after last year's reforms of the Common Agricultural Policy, he said.

The group's textile operations suffered from increased competition from Asian groups, which were selling at prices at which German companies could not compete because of their high cost base.

"It is doubtful that these product lines can be manufactured competitively in Germany in the long term," said Mr Schneider.

Imaging technologies, which include Agfa films, posted trading profits down 25 per cent at DM220m.

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Speculation grows of Bundesbank rate cut

By David Waller in Düsseldorf

THE solidarity pact concluded last weekend between the German federal and state governments and the opposition ought to provide a fillip to the German economy and help prevent a spiral of decline, Prof Reimut Jochimsen, a member of the Bundesbank policy-making council, said yesterday.

Mr Jochimsen, president of the central bank for the state of North-Rhine Westphalia, told an investment symposium in Düsseldorf he was relieved policy-makers had at last taken important decisions as to how the country should proceed.

Consensus had been renewed despite a "confrontation of interests" which posed "unprecedented challenges" to the German democratic system.

His remarks will fuel speculation that the Bundesbank will cut its official short-term interest rates after the council meeting today. Mr Theo Waigel, Germany's finance minister, said this week the prospect for rate cuts had improved since the pact was concluded.

Mr Jochimsen would not comment in detail on today's meeting. He qualified his favourable assessment of the pact by saying the agreement left many important details unresolved. He said the pact took "the path of least resistance", meaning higher taxation and no substantial cuts in state spending.

He said it was easier to agree on maintaining expenditure and new sources of revenue than on cuts.

Summing up the Bundesbank's position on interest rates, he said the council found itself walking a tightrope between pressure to ease monetary policy and the need to safeguard the value of the D-Mark.

He said the scale of Germany's economic downturn combined with international exchange rate pressures called for interest rates to be cut as soon and as much as possible.

But the risks to price stability had yet to be dispelled, he said.

His views are more favourable to a rate cut than those of Mr Otmar Issing, another member of the Bundesbank's policy-making directorate. Mr Issing said on Tuesday that monetary developments remained the main basis for decisions on interest rates.

Despite inflation running at 4.2 per cent in February, many economists hope the Bundesbank will today cut at least 0.25 percentage points off the Lombard and discount rates, now 9 and 8 per cent.

Deutsche Bank, Page 15

German recycling group gets green light to expand

By Ariane Genillard in Bonn

THE organisation at the centre of Germany's controversial national recycling system was yesterday given approval to expand its activities from the household sector to industry.

The Federal Cartel Office in Berlin said Duales System Deutschland, which runs the Grüne Punkt (green dot) system that collects for recycling 80 per cent of consumer packaging in Germany, can collect industrial packaging in the business sector.

Consumers pay higher prices for the products bearing the green dot. The money then finances the activities of DSD which collects the packaging.

The move had been fiercely attacked by independent waste collectors who claim that the cost-advantageous nationwide system prevented competition.

Following the investigation by the Federal Cartel Office, DSD has offered to compensate independent waste collectors for the higher costs they incur.

"With this new system, small waste collectors will no longer be at a disadvantage and need not fear that they are being pushed away from the market," Mr Jürgen Kiecker, spokesman for the Cartel Office, said.

DSD was set up by 600 enterprises as a response to a law which said that industry must ensure the collecting and recycling of the packaging they produce.

Today, DSD collects nearly all recyclable household waste and has been asked by the Länder to extend its operations to collecting industrial packaging.

● Thousands of shipyard engineering workers rallied in northern Germany yesterday to protest against job cuts and contract disputes, Reuter reports.

The powerful IG Metall engineering union called simultaneous protest rallies across northern Germany, where shipyards face declining orders.

Georgian national guardsmen help a comrade wounded in fighting with separatist Abkhazian forces. Georgia said 70 had died in the latest fighting, and accused Russian aircraft of bombing the town of Sukhumi. Foreign observers confirm Russian involvement in the year-long conflict.

Heavier pensions burden looms over taxpayers

By Quentin Peel in Bonn

GERMAN taxpayers are likely to face a new increase of at least 8 per cent in their pensions contributions next year, putting them top of the league of big industrialised states for direct payments to the public purse.

The warning on a probable pensions increase came as the Bundesbank published a new survey, showing that France and Germany are now equally the highest-taxed countries in the Group of Seven industrialised states. The latest agreement on a solidarity pact to pay for German unification, with the re-introduction of a 7.5 per cent surcharge on income tax from January 1 1995, will push the country further out in front.

The Bundesbank report warns that the tax and social insurance burden on both individuals and employers in Germany stood at 43.7 per cent of gross domestic product in 1992, its highest level since the war. It has risen sharply since unification, including increases in unemployment insurance, statutory health insurance and income taxes.

Tax and Social Security deductions as a percent of GDP, 1992

Country	Total	Of which tax accounts for
Sweden	50.6	35.7
France	43.7	22.4
Germany	43.7	25.1
Italy	40.8	25.9
Canada	37.5	31.9
Switzerland	35.9	20.8
Great Britain	33.4	26.9
USA	30.7	21.4
Japan	29.3	20.5

Source: Bundesbank

The latest warning on increased pensions contributions came from Mr Herbert Rische, president of the federal insurance bureau for white-collar workers, who said the current rate of 17.5 per cent on basic wages would have to rise to between 18.9 and 19.1 per cent next year. A key reason was the decision to keep rates down in the past in spite of rising pensions payments to a steadily ageing population.

The demographic change is also a factor behind the government's announcement that it will press ahead with legislation to finance a statutory residential care programme before the summer break, despite strong business resistance.

The scheme is likely to add about 1.7 per cent to social insurance contributions, but the employers' share is supposed to be compensated for: one proposal is to cancel one statutory holiday; another is to reduce by one day the number of days for which sick workers can claim wages.

Social insurance contributions currently add up to 38.8 per cent of monthly wages, with employers making matching contributions.

Romania calls for talks on Balkans

By Robert Mauthner, Diplomatic Editor

THE Romanian foreign minister, Mr Teodor Melescanu, yesterday suggested a full-scale Balkan conference should be called to discuss the problems of the region, once a peace agreement settling the future of Bosnia-Hercegovina has been concluded.

Mr Melescanu, who was in London for talks with Mr Douglas Hurd, the foreign secretary, said such a conference should be attended not only by all the Balkan countries but by European Community members such as the UK and France, the US, Russia and other countries closely involved in the problems of the former Yugoslavia.

After the end of the conflict in the former Yugoslavia, there would be an urgent need for the Balkan countries to discuss how they could contribute to the recovery and economic development of the devastated region. Solutions would also have to be found to the problems of disputed borders, treatment of ethnic minorities and the vast number of refugees scattered around the Balkans.

In an interview with the Financial Times, Mr Melescanu admitted that his country did not like applying economic sanctions against neighbouring Serbia. "We don't like these sanctions because we think they are a bit like sanctions against ourselves," he said.

However, Mr Melescanu was quick to add that Romania respected the sanctions because they were the result of an international decision and the only alternative to military action.

Though much publicity had been given to the sanctions-busting fuel supplies transported to Serbia in barges along the Danube – which Romania has recently attempted to block – these amounted to only about 1 per cent of Serbia's total needs, the minister said.

● In Belgrade, the office of the United Nations High Commissioner for Refugees said Bosnian Serbs had allowed two UN aid convoys blocked on the border with Serbia since Monday to enter Bosnia yesterday.

The trucks, which had crossed the border bridge at Mali Zvornik, were headed for the Moslem-held town of Gorazde and for Sarajevo. A third convoy with aid for Tuzla had also been cleared and was due to set out this morning.

However, deadlock continued over a relief convoy to the stricken town of Srebrenica, which has been stuck at Mali Zvornik for the past week. Bosnian Serbs say the convoy cannot be accompanied by a UN military escort, on which the UN has insisted. Gen Philippe Morillon, UN military commander in Bosnia, has vowed to stay in Srebrenica until aid reaches the town.

● The EC is to contribute $1.2m in food parcels to be air-dropped into Bosnia by the US air force, Mr Manuel Marin, EC development and aid commissioner, announced yesterday, **David Gardner reports from Brussels.**

The move follows pressure by Mr Hans van den Broek, EC external political relations commissioner, to develop a joint approach to the conflict in former Yugoslavia between the Community, the US and Russia.

The EC has also been stung by the high media profile accorded the US air drops, given that the Community has provided nearly three-fifths of the relief aid to ex-Yugoslavia, and the overwhelming majority of the ground troops and officials who deliver this aid by land under near-impossible conditions.

EC seeks liability code for environmental damage

By David Gardner in Brussels

THE European Commission yesterday started a new drive to establish an enforceable code of civil liability for damage to the environment.

It adopted a green paper which highlights mechanisms which would ensure environmental damage is repaired, even in cases where precise legal blame for pollution is difficult to establish.

The Commission is inviting written submissions on its "communication" to the Council of Ministers (of the 12) by October, after which it will hold public hearings before framing any legislation.

The Commission aim is to reinforce the principle that the "polluter pays" – with the prospect of substantial financial damages acting as a disincentive to pollute – yet ensure that the costs will be manageable for industry.

The paper underlines that the most prevalent system of "fault-based liability" – requiring proven negligence of a liable party – is far from adequate. A causal link is difficult to establish; redress may be unfairly sought against the richest target under the most advantageous national legal system.

The plethora of differing legal approaches among EC member states, moreover, threatens to fracture the single market; greater or lesser risk of liability for pollution under different regimes could come to constitute a distorting comparative advantage.

The Commission would like to complement fault-based liability with so-called "strict" liability, where no fault need be established.

Officials say they now want to remedy a situation where much environmental risk will be impossible to insure against, and also avoid the pitfalls of the US Superfund for environmental damage, which they say has encouraged a litigation industry.

Mr Ioannis Paleokrassas, EC environment commissioner, would not be drawn on whether he would seek eventually to legislate at EC level, or create a framework for roughly analogous liability norms. "We want a comparable set of instruments in all member states," he said, but "at this moment the Commission is not looking at anything; it is opening a debate."

INDEPENDENT experts were sent into the Hoechst chemical group's plant outside Frankfurt yesterday following claims that highly-toxic dioxins were released in an explosion there on Monday, writes Christopher Parkes.

Scientists from the Fresenius Institute collected samples for analysis at the request of the regional environment ministry, after Greenpeace members blockaded part of the works on Tuesday. Results of the analysis will be published, the ministry said.

Greenpeace had suggested that dioxins would have been released in the explosion and fire which killed one worker and burned PVC cladding on part of the building involved.

Hoechst said temperatures in the fire seemed not to have been high enough to release any dioxins.

Bildt wins economy confidence vote

By Christopher Brown-Humes in Stockholm

SWEDEN'S minority coalition government yesterday won a parliamentary vote of confidence in its economic policies, averting the immediate threat of an early general election.

The 23 members of the populist opposition New Democracy party, which last week triggered the country's political crisis, abstained in the vote, which the government won by 172 votes to 154.

The government's reprieve, however, may only be temporary, as the tensions between it and New Democracy are not fully resolved.

The New Democrats have sought to be consulted more closely on economic issues.

The crisis broke out last week when New Democracy refused to support Sweden's budget proposals, joining the opposition Social Democrats in voting to return it to committee for review.

This led Prime Minister Carl Bildt to threaten a summer general election if his four-party centre-right coalition did not win yesterday's vote.

The crisis unsettled financial markets over the last week and led to a sharp weakening of the krona.

Money market interest rates fell and the krona strengthened in early trading yesterday in anticipation that the government would survive the vote. The trend was later reversed.

Italy scraps its last post-war price curbs

By Robert Graham in Rome

THE final vestiges of the system of price controls imposed by Italy's early post-war governments have been removed.

As of yesterday the price of bread and milk, as well as cement and fertilisers, was liberalised. The inter-ministerial prices committee, Cip, will however continue to monitor the behaviour of the price of these items, reserving the right to intervene if prices are raised unnecessarily.

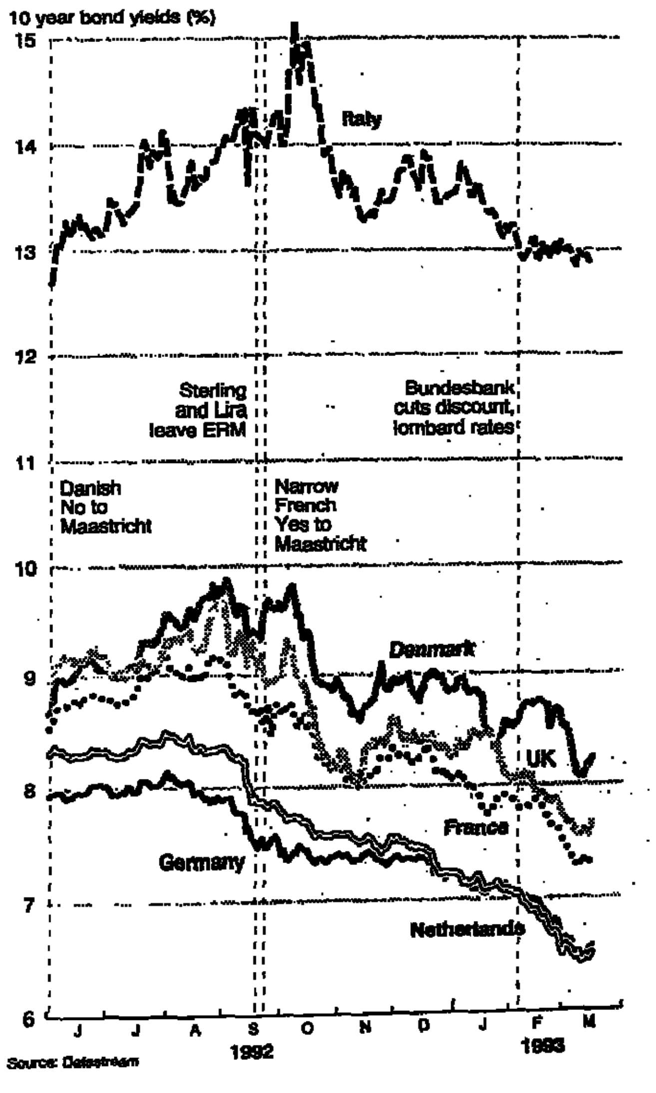
The decision, in line with EC demands, was welcomed by traders' associations and manufacturers. However, consumers' associations warned that both producers and traders would seek to take advantage of the liberalisation to raise prices. Inflation is running at 4.5 per cent a year.

● Exports from five Italian regions of Parma ham, Gorgonzola cheese, salami and other meats and dairy produce came under an EC ban yesterday to stop the spread of foot and mouth disease, Reuter reports from Brussels.

EC officials said the ban, until the end of March, would apply to meats processed since February 1 and dairy products.

Some 4,000 head of cattle, pigs, sheep and goats have been slaughtered in Italy since foot-and-mouth was detected on February 28 following imports of diseased cattle from Croatia.

How long term EC interest rates have stopped converging



'Franc fort' set to survive French poll

But EMS key rests with Bundesbank, not with new government, writes David Marsh

FOR ALL the currency markets' oft-repeated forecasts of a fresh assault on the franc, France's elections on Sunday are not likely to set fire to the tinder of the European Monetary System.

Yet after the exchange rate flare-ups of the last six months, the EMS remains in a state of potential self-combustion, according to many European economists.

And the key to the question whether it will eventually go up in flames appears to rest with the German Bundesbank, whose policy-making council meets today to deliberate its next interest rate moves.

The right-wing French opposition parties likely to form the next government in Paris are widely expected to maintain the *franc fort* policy of the Socialist administration.

"The French people do not like devaluations," says one top French official. He says France wants to bring both long-term and short-term interest rates down to German levels – an objective which should be secured once the future Paris government makes clear it will stick to the franc's present parity against the D-Mark.

In particular, the 3.5 percentage point risk premium between short-term German and French rates should fall substantially once the exchange markets stop speculating on a franc devaluation, he says.

France also has strong political reasons for keeping within the EMS at present rates, the official says. If the franc left the exchange rate mechanism and floated, as Britain and Italy did in September, "this would mean the end of the EMS, of the Maastricht treaty, of the single market and the Treaty of Rome itself", he says.

Over the medium term, France hopes to emulate the Netherlands, which has succeeded in bringing both short and long term interest rates below German levels during the past few months.

Interest rates in many EC countries stopped converging with D-Mark rates after last summer after uncertainties intensified about the future stability of European exchange rates.

But the Dutch central bank – thanks to a stern no-devaluation policy since 1983 – has managed to convince the markets that the guilder is at least as hard as the D-Mark. "It can be done, but it takes time," says a Dutch monetary official.

> 'If the franc left the ERM it would mean the end of the EMS, Maastricht, the single market and the Treaty of Rome'

Mr Jean-Michel Charpin, chief economist at Banque Nationale de Paris, says he is "certain" that France's new prime minister will keep the franc's parity unchanged. If exchange market confidence returns, France will reap a twofold bonus. It will profit both from further expected reductions in the basic level of German interest rates, and from a fall in the franc's interest rate differential, he says.

One month interest rates in France are around 11.7 per cent against 8.3 per cent in Germany. Big French banks, under government orders, have kept their base rates unchanged at 10 per cent for several months. But the high cost of credit – at a time when French inflation is just over 2 per cent – has had a debilitating effect on the French economy.

Mr Charpin says he is not excluding a revival of currency tensions, either in the autumn or next year, as the new government's difficulties in dealing with the French recession become apparent.

According to Mr Heiner Flassbeck, chief economist of the Berlin-based DIW economic research institute, these problems could intensify unless the Bundesbank accelerates the interest rate cuts started last autumn.

Mr Flassbeck in recent months has strongly criticised the slow pace of the Bundesbank's monetary relaxation. He believes that, at most, the Bundesbank will announce today merely a "small step" towards further easing.

However, unless the Bundesbank by the end of the year reduces short-term rates to around 4 to 5 per cent – compared with the present discount and Lombard rates of 8 and 9 per cent respectively, "the EMS will not survive", Mr Flassbeck says.

Mr Jean-Francois Mercier, European economist at Salomon Bros in London, believes the weekend "solidarity pact" between the German government and Länder has lessened the likelihood of speedy Bundesbank rate reductions.

By agreeing tax increases only for 1995, and ruling out deep spending cuts, Chancellor Helmut Kohl has sought to lower the danger that the German recession will last into 1994.

But the likelihood of a slight improvement in shorter term economic prospects has exacerbated the risks of higher debts and deficits in the longer term.

This will increase the risk that Germany itself will not be able to meet the fiscal targets set as conditions for countries' participation in economic and monetary union (Emu) by the end of the century, Mr Mercier says.

If Mr Kohl had switched resolutely to a tighter fiscal policy, this would have paved the way for a looser Bundesbank monetary policy, Mr Mercier says. However, he describes the deal as "more spending, more taxes, more deficits".

"It doesn't help at all – either France or the Maastricht process."

An even more gloomy assessment comes from Mr Brendan Brown, chief economist at Mitsubishi Finance in London, a long-time sceptic about France's ability to keep its currency pegged to the D-Mark.

Mr Brown believes the inadequacy of the "solidarity pact" deal will prolong the French recession since the Bundesbank will be more reluctant to ease policy.

The pain would be worthwhile if France's "gold at the end of the rainbow" – the aim, through Emu, of replacing the D-Mark by a European currency – remained alive, Mr Brown says.

But, if France's goal of Emu becomes, for political and economic reasons, increasingly remote, the sceptical Mr Brown asks: "How long will France act as a monetary satellite of Germany?"

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Kohl hits snag on property claims draft law

By Judy Dempsey in Berlin

DIVISIONS in Germany's ruling coalition yesterday forced Chancellor Helmut Kohl to withdraw temporarily a draft law on financial compensation for former property owners in east Germany.

Its withdrawal follows continuing differences in the coalition about who should be allowed to claim back property in eastern Germany, and ways to finance a compensation fund. There are 1.5m-2m outstanding property rights claims in east Germany.

The Christian Social Union, the Bavarian sister party of the Chancellor's Christian Democratic Union, wants those whose land was expropriated by the Soviet forces in eastern Germany between 1945 and 1949 to be given the right to seek restitution.

But a 1990 agreement between the two Germanys and four allied powers said these claimants – many of whom lost large landholdings – should have the right only to limited compensation.

The bill seeks to raise a maximum of DM12bn ($7.2bn) to finance compensation claims for property confiscated by the Nazis between 1935 and 1945 and by the former East German state between 1949 and 1990. Individual claims could not exceed DM950,000, a significant increase from the DM300,000 proposed last December.

The draft law proposes that compensation pay-outs be based on 1935 land valuations, rather than current property prices. Claimants, however, say this is unjust.

The sense of injustice has been fuelled by the way in which the Finance Ministry hopes to raise the DM12bn compensation fund.

For instance, an individual who successfully claimed back a factory confiscated by either the Nazis or the communists must pay a property tax. This will be based on the 1935 land valuation, which is then multiplied by 10.

After five years the claimant must pay a third of that sum to the Finance Ministry. If the claimant cannot pay, the property would be sold.

A Finance Ministry official said yesterday: "I really do believe that the lawyers will say the bill is unfair, if not immoral, because claimants have to pay for something which was stolen from them in the first place. But I don't know if they will be able to prove it is unconstitutional."

Ministry officials expect the bill will stay more or less intact despite opposition from the CSU and east German politicians.

It is due to go back to the cabinet in two weeks, but officials acknowledge that it may be referred to the constitutional court, a move which could delay approval.

Rocard sows fresh discord among left

By David Buchan in Paris

MR Michel Rocard yesterday sowed further dissension in his Socialist party, which faces electoral defeat in Sunday's general election, by repeating his open criticism of President François Mitterrand.

In an interview in Le Figaro newspaper yesterday, Mr Rocard, considered the party's likely standard-bearer in the 1995 presidential election, toned down earlier remarks that Socialists were generally being victimised by an electorate which had "personal scores to settle" with Mr Mitterrand.

Popular sentiment against the president was "without doubt unjust", and Socialists had to accept some of the blame for it, he said. A recent poll showed 62 per cent of voters disapproved of Mr Mitterrand's performance, and only 24 per cent approved.

However, Mr Rocard went on to criticise Mr Mitterrand for failing, following his 1988 presidential election victory, to reach out properly to parties to the left and centre of the Socialists. The president had chosen to deal "with individuals and not with political forces". This was why, Mr Rocard said, he himself had recently called for a "big bang" recomposition of the left after this month's election.

The criticism, four days before the first round of parliamentary voting, provoked embarrassment and anger among Socialists. Mrs Martine Aubry, labour minister, accused Mr Rocard of political cowardice. "To blame others, whether within or outside one's party, shows a lack of courage and is especially worrisome for the rebuilding of the left," she said. In a reminder that Mr Rocard was prime minister from 1988 to 1991, she said: "It's a collective failure."

Mr Michel Sapin, finance minister and a Rocard protégé, said his mentor "could have spared us such unnecessary little comments". Mr Charles Pasqua, a hard-line Gaullist, lauded Mr Mitterrand for at least having had the courage during the campaign to "climb to the bridge of the sinking Socialist ship and to tie himself to its mast, in the old navy tradition".

The Rocard-Mitterrand rift reflects long-standing personal rancour, but may just be a foretaste of internal Socialist recrimination. It overshadowed the government's last pre-election cabinet meeting. That gathering produced a proposal to use privatisation proceeds to fund state pensions, calls for the EC to raise fish prices to help distressed French fishermen and demands that Brussels desist from deregulation of European utility monopolies.

Opinion polls show that more than 75 per cent of farmers plan to vote for the right-wing opposition, which has pledged to renegotiate last year's reform of EC agriculture policy.

● Some 2,000 employees of Thomson Tubes Electroniques, which makes television tubes, voted yesterday to share work among themselves in order to avoid 412 redundancies threatened by the management.

The Lang show is hard act to follow

French Socialists have made the arts a success story, writes Alice Rawsthorn

DAY after day hundreds of people queue patiently, and not so patiently, on the square outside the Georges Pompidou Centre in Paris waiting to buy tickets for the Matisse exhibition.

The Matisse show has been billed as a highlight of the European arts year. It is also an appropriately grandiose final fling for France's Socialist government, which, after a decade of lavish support for the arts, faces crushing defeat in the parliamentary elections, for which the first round is held this weekend.

Despite the general disenchantment with the Socialists, the arts is one area where they are still deemed to be successful, thanks partly to the personal standing of Mr Jack Lang, the charismatic minister of arts and culture who consistently tops the polls as France's most popular elected politician.

Few political acts are genuinely impossible to follow but that of Mr Lang, 53, is probably one of them. He is a flamboyant figure with apparently indefatigable energy and a taste for snappy designer suits, who has dominated the French arts scene since the Socialists first took power in 1981. Libération, the bible of French culture buffs, even calls the 1980s *l'époch Lang*, the Lang era.

The conservatives now face the unenviable task of finding a way of following Mr Lang after the elections.

French culture has had a new lease of life in *l'époch Lang*, when the proportion of the state budget allocated to the arts has doubled from 0.5 per cent in 1981 to 1 per cent, or FFr13bn ($2.3bn), in 1993. Mr Lang has also pulled off the rare feat of developing popular and innovative policies. He has done so by blending elements of conventional Socialist cultural *dirigisme*, such as state subsidies and industrial restructuring, with new themes, notably corporate sponsorship.

Mr Lang has even plundered some ideas from the conservatives. The *Grands Projets*, the monumental modern architecture schemes including I M Pei's glass pyramid in the Louvre museum and Jean Nouvel's Arab cultural centre, are his most visible legacy. But they trace their roots to the 1970s review of public sector building commissioned by the conservative President Valéry Giscard d'Estaing.

Jack Lang, flamboyant and indefatigable, has long dominated the arts scene

Mr Lang's record is far from flawless. French television is in a fragile financial state, which culminated in last year's collapse of La Cinq, the entertainment station. The Paris opera struggles from crisis to crisis despite an annual budget of FFr800m (two-thirds of which comes from the state) and the opening three years ago of the glittering FFr3bn Bastille opera house.

The Lang regime, long criticised by the right, is now under fire from his old supporters on the left. The latest film from Eric Rohmer, *The Tree, The Mayor and The Mediatheque*, is a scathing satire of a Socialist mayor who secures a generous grant from the Arts Ministry to build a media complex in his tiny village. Le Canard Enchaîné, the satirical magazine, recently published a leaked story about Mr Lang's plans to produce a film about his own achievements.

But the electorate seems willing to overlook Mr Lang's shortcomings, as illustrated by his success in the opinion polls. This has left the conservative coalition of the RPR and UDF in a difficult position. Mr Lang, the epitome of the sybaritic *gauche caviar* who have thrived under President Mitterrand, is exactly the sort of Socialist the conservatives most loathe. Moreover an extravagant Socialist arts minister is an easy campaign target.

But the right has been forced on to the defensive in the election campaign. This is partly because of Mr Lang's popularity and partly because of an internal split. The UDF favours an ascetic approach to cultural spending: the RPR, whose leader, Mr Jacques Chirac, comes close to rivalling Mr Lang with his munificent cultural budgets as mayor of Paris, is more indulgent.

All that the conservatives have produced in terms of policy is a pledge to erase what they call the "cultural inequalities" of Mr Lang's policies by fostering cultural activity in the provinces and giving more power to local authorities to launch their own arts initiatives.

This sounds suspiciously similar to both the Socialists' own arts manifesto and to the policies pursued by the last conservative government between 1986 and 1988, when, despite constant debates over whether to scrap various Lang programmes, the right did little to reverse his policies.

The conservatives are also searching for a suitable successor. Mr Alain Carignon, mayor of Grenoble, and Mr Jacques Tubon, secretary general of the RPR, have been mooted as candidates as has Mr Bernard-Henri Lévy, the populist philosopher whose girlfriend, Ms Arielle Dombasle, stars in the new Rohmer film.

Mr Lang himself has always maintained that the true test of his influence will be whether his reforms survive his departure from his opulent offices at the Palais Royal in Paris. He will soon find out.

Turkey is offered ceasefire by Kurds

By John Murray Brown in Ankara

TURKEY'S Kurdish rebels declared a unilateral ceasefire yesterday, promising to end hostilities for 25 days if Turkish government forces agreed to hold to their positions.

The offer was greeted by Kurdish deputies in Turkey's parliament as an opportunity for a breakthrough in the eight-year insurgency which has claimed more than 5,000 lives. However, the proposal delivered by Mr Abdullah Ocalan, leader of the rebel Kurdish Workers party (PKK), is likely to be met with considerable official scepticism after recent government successes against PKK bases in Turkey's Kurdish-speaking south-east. State television made no mention of the offer.

Mr Ocalan, known as Apo, made the offer from his headquarters in Lebanon, undertaking to suspend actions from March 20 to April 15, as a goodwill gesture to coincide with the *Nevrouz* or Kurdish new year celebrations on March 21.

This week Mr Suleyman Demirel, Turkey's prime minister, called for nationwide vigilance to avoid last year's "nightmare", when more than 90 people were killed as the government used armoured vehicles to reassert control in towns along the border with Iraqi and Syria. The government blamed the PKK for exploiting the festivities to provoke a separatist insurrection.

Since then, the PKK has been under intense diplomatic and military pressure, with reports that Syria has withdrawn its support. Iran, too, is distancing itself from the rebels. The move follows a concerted diplomatic initiative from Ankara.

Turkey has also won tacit backing from the Kurds of Iraq, underlined last October during a sweep by Turkish commandos when PKK units were forced from the border where they had attacked Turkish posts.

Greece forecasts growth of 2%

By Kerin Hope in Athens

THE Greek economy ministry forecasts that growth this year will be stimulated by a sharp rise in investment, with gross domestic product increasing by 2 per cent.

According to the ministry's economic overview for 1993, overall investment will increase by 7.2 per cent, led by a 10.9 per cent rise in the public sector, which will benefit from generous European Community transfers for infrastructure spending.

Private investment is expected to go up by 5.7 per cent, against a 0.6 increase in 1992 and a 6 per cent decline the previous year.

The ministry said its forecast reflected "a positive business climate, with the prospect of lower interest rates as inflation comes down and more opportunities for investment as state enterprises are privatised."

Private sector analysts have forecast lower GDP growth, close to last year's 1.5 per cent, mainly because of a decline in agricultural output. However, the ministry predicts that the effects of a winter drought will be outweighed by higher growth in manufacturing.

Nonetheless, private consumption will rise by only 1.3 per cent, as a result of a continuing public sector wage squeeze. Unemployment will rise to 390,000, equivalent to 9.9 per cent of the workforce.

Exports are forecast to rise by 15.3 per cent this year, after increasing by 14.5 per cent in 1992.

The year-on-year inflation rate, unchanged for the past three months at 14.5 per cent, is expected to decline in the second half of the year, falling below 10 per cent by December.

Hong Kong greets Patten with a very Asian smile

Simon Holberton samples views on UK row with China

AS Mr Lu Ping, China's top official on Hong Kong affairs, was laying down the law about Hong Kong in Beijing yesterday afternoon, Mr Chris Patten, the colony's governor, was out and about indulging in what he likes to call "a little retail therapy".

In the streets of Hong Kong's central business district and the neighbouring Western district of Hong Kong island Mr Patten was greeted by hundreds of Hong Kong citizens.

"Hello, how are you?" he called out. They cheered, laughed and smiled.

But the Asian smile is a deceptive thing. To many ordinary Hong Kong citizens the developments of the past few days are perplexing and troubling. Happy as they were to see their governor, many have found his behaviour toward China baffling at best, and unwise at worst.

Reaction to Mr Patten's decision last Friday to publish his legislation for more democracy in Hong Kong may have been more than a little conditioned by China's adverse reaction. But then it is Hong Kong which will have to live with its northern neighbour in four year's time.

As the owner of a trading firm in Western said yesterday: "Democracy is an empty word. The British will go after 1997; Mr Patten is just giving Hong Kong people a cheque that will bounce."

His view was echoed by a businessman who had earlier stopped on Hollywood Road, in Central, to catch a glimpse of the governor. "The British have been sleeping for more than 100 years. Why democracy now? The row is hurting Hong Kong, but what does he have to lose? He will leave."

On Queen's Road Central, Mr Patten found himself accosted by a group of democrats holding a banner proclaiming "Hear the voice of Hong Kong democracy" and chanting: "Submit the bill to the Legislative Council; Resume Sino-British Talks; Hear the voice of Hong Kong."

Their chanting, however, summed up the central dilemma for British policy makers and Chinese ones too. Hong Kong wants a number of mutually exclusive things. It wants more democracy, but it wants Britain and China to work it out together; in its almost deferential way it wants to be heard by both, and it wants a quiet life.

A lot of middle-class people in Hong Kong have decided that China will not listen and that the colony is not a place where they can enjoy a quiet life. Last year 66,000 of them emigrated, mostly to the US, Canada and Australia, up from 60,000 in 1991.

The row is also sapping the optimism of many who thought they had made their peace with China and 1997. The finance director of a large Chinese company, aged in his mid-40s, explained the reaction of many of his friends.

"Over the past couple of years we had all decided to stay. China was moving in the right direction; the Basic Law [the mini-constitution, published in 1990 by Beijing, for Hong Kong after it reverts to Chinese sovereignty] wasn't perfect but it was OK. Now, with the way China has reacted to Patten, a lot of my friends are saying they can't take four more years of this. They would rather take their families elsewhere and live a quiet life."

A Hong Kong Chinese lawyer, who had emigrated to Canada but was thinking of returning to live in Hong Kong said: "Maybe Patten has done us all a favour. He has made China show its true face."

The tone and substance of Mr Lu's remarks in Beijing yesterday make it unlikely that Britain and China will be able to discuss the arrangements for Hong Kong's 1995 elections. That being so, Mr Patten is likely to table his legislation before LegCo's Easter recess or soon thereafter.

The betting in Hong Kong's political circles last night was that LegCo will do its best to give China what Beijing failed to extract from the British in negotiations, in short make the legislation less democratic than Mr Patten has proposed. The majority in LegCo for Mr Patten is getting slimmer and the group which wants to hasten slowly to more democracy is getting larger.

Britain is prepared to accept LegCo's verdict, but how China would respond is unclear. Beijing has always said it will not accept a "made in LegCo" compromise to its dispute with Britain. It has maintained that LegCo is simply an "advisory body" of little consequence and that the 1995 polls are a matter for the current and future sovereign powers.

In the meantime, Hong Kong's HK$175bn (£16bn) airport, the development of its container port, and many other business franchises will be put on hold.

As Mr Ronald Arculli, a leading member of Hong Kong's conservative politicians, noted last night: "Maybe they will agree to disagree on politics and continue talks about economic issues, but I think the chances are pretty slim."

Chris Patten greets crowds in Hong Kong on a tour yesterday

S African budget tries to 'face facts'

By Patti Waldmeir and Philip Gawith in Cape Town

MR DEREK KEYS, the South African finance minister, yesterday presented a tough budget aimed at restoring fiscal discipline while boosting economic growth.

Presenting his first budget, Mr Keys sharply cut the corporate tax rate, from 48 to 40 per cent, in an attempt to promote investment and spur growth after four years of recession. He clawed back part of the concession by imposing a 15 per cent tax on distributed profits.

However, the net effect will be sharply to cut the effective tax rate for most companies, a key element of the economic restructuring plan published by Mr Keys last week. Companies which reinvest a large proportion of profits will enjoy a substantial tax incentive.

Business leaders welcomed the attempt by Mr Keys, former chairman of the mining house Gencor, to balance the need for fiscal discipline with the imperative of promoting growth. Government current spending is to be cut substantially in real terms – another important element of the restructuring – with the spending increase held to 6.5 per cent against projected inflation of 10 per cent. Defence spending is to fall by some 14 per cent in real terms, its fourth successive sharp annual decline.

Total spending will rise to R114bn, an increase of 8.8 per cent on 1992-93, with revenue rising 16.5 per cent to R89bn, leaving a deficit equivalent to 6.8 per cent of gross domestic product. This remains high, but represents a substantial drop from last year's 8.6 per cent deficit.

Consumers will suffer under the budget, which was delivered against a difficult political background as the transition to democracy fuels popular demands. Value added tax was increased from 10 to 14 per cent, a move which drew immediate criticism from the African National Congress, despite the fact that certain basic foodstuffs were zero-rated in an attempt to mitigate its impact on the poor. Petrol prices rose 10 per cent.

The budget made a further attempt to help poor blacks by raising the level of state pensions for Africans to the same level as white pensions, an effective increase of almost 30 per cent. Many black families, especially in rural areas, rely almost entirely on state pensions for income.

Mr Keys said the budget was "an honest attempt to face facts and produce a vision for the future."

Dr Conrad Strauss, chairman of the Standard Bank group, commended the company tax initiative as "very pyschologically important" and the curb placed on state spending.

Retailers, however, expressed concern. Mr Raymond Ackerman, chairman of Pick 'n Pay, the country's largest supermarket group, said the consumer would be "hit between the eyes", business confidence damaged and economic recovery delayed.

Beijing's sound and fury may well signify something

By Tony Walker in Beijing

IT IS perhaps the beleaguered Mr Chris Patten's misfortune that the unseemly row that has erupted over his plans for democratic reforms in Hong Kong came on the eve of an important session of the National People's Congress, China's rubber-stamp parliament.

In this hothouse atmosphere, Chinese leaders appear to have sought to outbid each other in their criticism of the colony's governor, and in the process a good deal of sound and fury has been heard, signifying less perhaps than assails the senses; although there is no question that the diplomatic row is beginning to assume worrying proportions.

Among slightly ominous developments was the revival yesterday by China's senior official responsible for Hong Kong affairs, Mr Lu Ping, of proposals for a "new kitchen" to deal with Hong Kong's transition to Chinese rule in 1997. This was interpreted by some as indicating that Beijing was considering a shadow authority to co-ordinate steps towards China's takeover of the colony, although another and perhaps more plausible explanation was that he was merely talking about a "fresh start" after Britain's withdrawal.

"When we say we will start a new kitchen we only mean that we will construct a new kitchen in accordance with the design of the Basic Law," the urbane Mr Lu told several hundred reporters.

The Basic Law, approved by China's parliament in April 1990, is in effect a blueprint for the constitution of the Hong Kong "Special Administrative Region" after 1997. It deals specifically with such issues as the shape of government and legislature, and complements a Joint Declaration signed by London and Beijing in 1984 that covers the transfer of sovereignty over Hong Kong.

China's claim that Mr Patten's plans for relatively broad-based democratic elections in 1994 and 1995 contradict understandings reached with London is hotly contested by British officials. But there is no doubt that Beijing fears that these elections will yield a rump of bothersome representatives who would be sitting in Hong Kong's Legislative Council after 1997.

This is not the well-equipped "kitchen" Beijing had in mind when it drafted the Basic Law, hence Mr Lu's threat to construct a new one. Chinese officials have been insisting that their argument with Mr Patten is not over an extension of democracy, but one of principle. Cynics might observe: the Chinese would say that, wouldn't they?

But it is also true that once Beijing takes a stand on principle, even if, in the view of some, these principles may have peculiarly Chinese characteristics, resolution of the dispute becomes much trickier. The fact that this week two of China's most senior leaders have joined very publicly and vehemently in the argument will also not make things easier to unravel.

In Beijing, British officials seem at a loss to predict where the issue may go from here. No early diplomatic contacts are scheduled, and with each passing day circumstances appear to become more complex. There is little sign of China easing up in its criticism of Mr Patten, and Chinese anger is likely to intensify if and when he introduces his democracy-extending legislation to the Legislative Council for debate.

British officials are drawing some comfort from the fact that Mr Lu repeated China's wish to co-operate over the transition to Chinese rule and his insistence that Beijing would continue to honour agreements over Hong Kong.

They expressed the hope that Beijing and London could sit down and resolve their differences, but the chances of this happening while Mr Patten's reform bill remains on the table are slim. The sound and fury seem unlikely to abate for the time being.

Economics team fired in Indonesia

By William Keeling in Jakarta

INDONESIAN President Suharto yesterday announced a sweeping cabinet reshuffle in which 20 of the 35 ministers were removed from office, including the three main economic ministers.

Mr Saleh Afiff, former head of the National Development Planning Agency (Bappenas), has been appointed co-ordinating minister for the economy, replacing Mr Radius Prawiro. Also removed from office were Mr J B Sumarlin, finance minister, and Dr Adrianus Mooy, governor of Bank Indonesia.

All three were western educated, on good terms with donors such as the World Bank and the Asian Development Bank, and Christian, notable in a country with an 87 per cent Moslem population.

The new finance minister is Mr Mar'ie Muhammad, former director general of tax, while Mr J. Sudradjat Djiwandono, previously the junior minister of trade, has been named central bank governor.

Domestic politicking and the Russian question are upsetting Tokyo's plans

Japanese unearth perils of G7 summit

By Charles Leadbeater in Tokyo

JAPAN IS desperately trying to defend the centrepiece of its political year, the Tokyo summit of the Group of Seven leading industrialised nations due to be held in July.

The summit is supposed to be a meticulously planned display of Japan's ability to command a larger role in international affairs. In the absence of a permanent seat on the United Nations Security Council, the G7 is Japan's best hope of acquiring such a role.

But Japanese diplomacy will be tested to the full if the summit is to mark a smooth beginning for Japan's wider role.

A complicating factor is Japanese domestic politics. Mr Michio Watanabe, the foreign minister, is in failing health and had to go into hospital after a recent trip to the US. Mr Watanabe wants to use a carefully managed summit as a launch pad for his last attempt to become prime minister, replacing Mr Kiichi Miyazawa in Liberal Democratic party leadership elections in the autumn.

The summit was always likely to be tricky because Japan is renegotiating its relationship with the US, which has guided its foreign policy for four decades.

Japan's growing trade surplus will provoke further calls from the Clinton administration for a stimulus to the Japanese economy to boost demand for imports as well as measures to open up Japanese markets.

Mr Miyazawa will visit Washington next month to mollify the Clinton team with an outline economic package. But that will be just the start of potentially fractious trade negotiations which could cast a shadow over the summit. As a senior diplomat put it: "There is a crunch coming with the US on trade and we better wake up to that fact."

However, in the past two weeks the mounting Russian political crisis has threatened to wreck all of Tokyo's carefully laid summit plans.

Tokyo's deeply ingrained sense of protocol has been offended by European calls, led by the French, for an emergency summit on the Russian crisis. Mr Yohei Kono, the cabinet secretary, yesterday bluntly told Paris to stop trying to hijack the summit. It was Tokyo's job to issue invitations, he said.

Even if Japan's summit partners accept that an April meeting of foreign and finance ministers will suffice, it still risks becoming isolated if the Russian crisis gathers momentum.

Japan has conspicuously failed to echo German and US messages of support for Russian President Boris Yeltsin. The unresolved dispute with Russia over the four islands off the northern tip of Japan, known as the Kuriles or Northern Territories, is only one factor behind Japan's reluctance.

Japanese officials argue that the Russian economy is in such a dire state that further aid would be like pouring money down the drain. They say half the aid Japan has so far provided has not been disbursed, largely because of Russian bureaucratic chaos. Mr Noboru Hatakeyama, vice-minister for international affairs at the Ministry of International Trade and Industry, remarked: "We should fully disburse the $24bn aid agreed by the G7 last year before we agree more aid."

Japan's Export-Import Bank said yesterday it was disbursing a $100m (£70.4m) soft loan to help Russia buy food and medicines from Japanese companies, fulfilling a pledge made in December 1990, after receiving letters of guarantee from Moscow.

Mr Yeltsin's sudden decision to cancel a trip to Japan last autumn, but then to visit South Korea and India, has merely hardened opposition to further help to him among the elderly upper echelons of the LDP.

But even younger officials believe Japan should avoid taking sides in political disputes in other countries.

As an international official in the Finance Ministry put it: "A message of support for Mr Yeltsin would not be welcomed by Mr Khasbulatov." Mr Ruslan Khasbulatov, the speaker of the Russian parliament, is Mr Yeltsin's rival for power.

Japan's diplomats, led by the highly skilled Mr Hisashi Owada, the head of the Foreign Ministry, who is in Washington for talks, are trying to paper over the emerging cracks. But if they fail Japan faces the prospect of hosting a summit at which it appears to be isolated. At the least, Japan's stance on Russia may further distance it from Europe at a time when trade tensions with the EC are rising.

At the worst, Japan may be accused of fumbling during a crucial phase of the Russian crisis, mishandling a golden opportunity to take an international initiative on Russia which would be widely welcomed, and once again showing that it often only acts when foreign pressure on it becomes irresistible.

Factory investment down 13%

By Charles Leadbeater

JAPANESE manufacturers' capital investment will fall by 12.9 per cent in the year to March 1994, after a drop of 15.5 per cent in the 12 months to the end of this month, according to a wide-ranging survey published yesterday by the Japan Development Bank.

This will the first time since 1971-72 that manufacturing investment has fallen by more than 2 per cent in two consecutive years. Non-manufacturing capital expenditure, excluding the electricity utilities, will fall by 3.4 per cent next year, the first drop since 1975, according to the survey of 2,343 large companies.

The JDB survey underlines the scale of the cuts in investment being planned by companies, especially in manufacturing, as they attempt to slash costs to raise profitability.

The survey found capital investment in all industries will fall by about 4.7 per cent in the year to the end of this month and by 5.6 per cent next year.

Seoul interest rate move delayed

South Korea's government is delaying plans to deregulate most interest rates until the second half of the year, writes John Burton in Seoul. Mr Hong Jae-hyong, finance minister, said deregulation could increase interest rates and further slow economic growth.

North Korea's sabre in danger of becoming blunt

John Burton reports on Pyongyang's fear of losing its military advantage as Seoul increases defence spending

THE North Korean guards at the truce village of Panmunjom are wearing steel helmets rather than their normal military caps. The country has sealed its borders to foreign visitors, while a dusk-to-dawn blackout has been declared for the capital Pyongyang.

Even as North Korea goes on a "semi-war" footing in response to military exercises in South Korea, the sabre it is rattling is large but in danger of becoming blunt.

Although North Korea outnumbers South Korea in troops and weapons, its advantage is being eroded as more and better weapons are acquired by the South, which has doubled defence spending since 1986 as its economy rapidly expands.

The military balance between the two Koreas has reached the point where neither side could gain a decisive victory on its own, although South Korea has the advantage of being able to call on the support of the US military if war should ever break out.

HOW KOREAN FORCES LINE UP

	North Korea	South Korea
Armed forces	1.32m	633,000
Tanks	3,500	1,800
Other armoured vehicles	4,340	2,500
Artillery	6,800	4,500
Multiple rocket launchers	2,400	140
Mortars	9,000	5,300
Combat aircraft	732	403
Attack helicopters	50	65
Submarines	26	4
Frigates & destroyers	3	38
Patrol craft	379	81

Source: IISS Military Balance 1992-93

North Korea is believed to be developing a nuclear weapon as a relatively cheap alternative to counter the South's growing military ability.

Less publicised have been claims that North Korea is also developing an extensive arsenal of biological and chemical weapons, which Seoul believes Pyongyang wants to use as a strategic bargaining chip in negotiations with the South.

North Korea has the fourth largest armed forces in the world, with 1.3m men under arms, according to the International Institute for Strategic Studies. With a population of 22m, this makes North Korea the most militarised country in the world.

The South Korean military is almost half its size with 633,000 soldiers out of a population of 43m.

North Korea also enjoys a clear quantitative advantage in weaponry against the South, with a two-to-one ratio in tanks, artillery, and combat aircraft and the exclusive possession of attack submarines, the third largest fleet in Asia.

North Korea has built up an extensive arms industry in the past 20 years. It can produce most of its armoured equipment, naval surface vessels and submarines, while it has developed an indigenous version of the medium-range Scud missile.

Weapons have become one of North Korea's main exports, particularly Scuds to Syria and Iran, although it is estimated that Pyongyang suffers an overall arms trade deficit. But its greatest weakness lies in its combat aircraft and other sophisticated military equipment. Two-thirds of its jet fighters date from the Korean War era and it depended on the former Soviet Union for the supply of high-performance fighters.

But relations have cooled between Pyongyang and Moscow in the post-Cold War period. Russian President Boris Yeltsin announced last November that Moscow would halt arms shipments to North Korea, shutting off the supply of advanced MiG-29 fighters that Pyongyang was just beginning to acquire.

North Korea's pursuit of a self-sufficient defence structure has placed an enormous burden on the economy. As much as 30 per cent of gross national product is devoted to defence against 5 per cent in South Korea.

Growing economic problems, including difficulties in importing oil due to a lack of hard currency, are also believed to be affecting North Korea'smilitary readiness.

The US estimates that training time for North Korean pilots is decreasing because of the fuel shortage. There are also eyewitness reports that North Korea is using soldiers and military vehicles for civil construction projects due to economic problems.

A lack of hard currency will severely curb the purchase of military equipment and even spare parts from abroad, although North Korea might be able to get some supplies from the Middle East in exchange for Scud missiles.

Nonetheless, North Korea remains a serious threat to the South. The US estimates that 65 per cent of North Korean forces are stationed along the demilitarised zone (DMZ) and could launch an attack without much warning.

Although the US has based its military planning on the premise that North Korea can support a war using its own resources for up to three months, independent analysts believe that Pyongyang could face difficulties much earlier due to its inefficient industrial base and poor transport infrastructure.

North Korea would probably follow the strategy it used in 1950, when it last attacked South Korea, by initially aiming to capture Seoul, just 35 miles from the DMZ, according to the US Defense Department.

But in most other respects, circumstances have changed greatly since 1950. North Korea then was tempted to invade because the South was suffering from domestic political turmoil, its army was weak and inexperienced, and the US had no troops in the country. Moreover, North Korea has the support of the Soviet Union and China. None of those conditions exist today.

See Editorial Comment

IAEA meets on N Korea

EFFORTS TO persuade North Korea to allow further nuclear inspections will be stepped up today at a special board meeting of the International Atomic Energy Agency in Vienna, writes David White, Defence Correspondent.

The meeting of the agency's 35 governors follows North Korea's announcement last week of withdrawal from the nuclear non-proliferation treaty and tension over the Team Spirit US-South Korean military exercises.

Mr Hans Blix, IAEA director-general, will report on North Korea's refusal last month to allow inspection of two sites near its Yongbyon nuclear complex. Evidence from earlier inspections raised suspicions that the country might have separated more plutonium, usable for nuclear weapons, than the tiny amount it has declared.

An IAEA official said a North Korean representative might attend the meeting.

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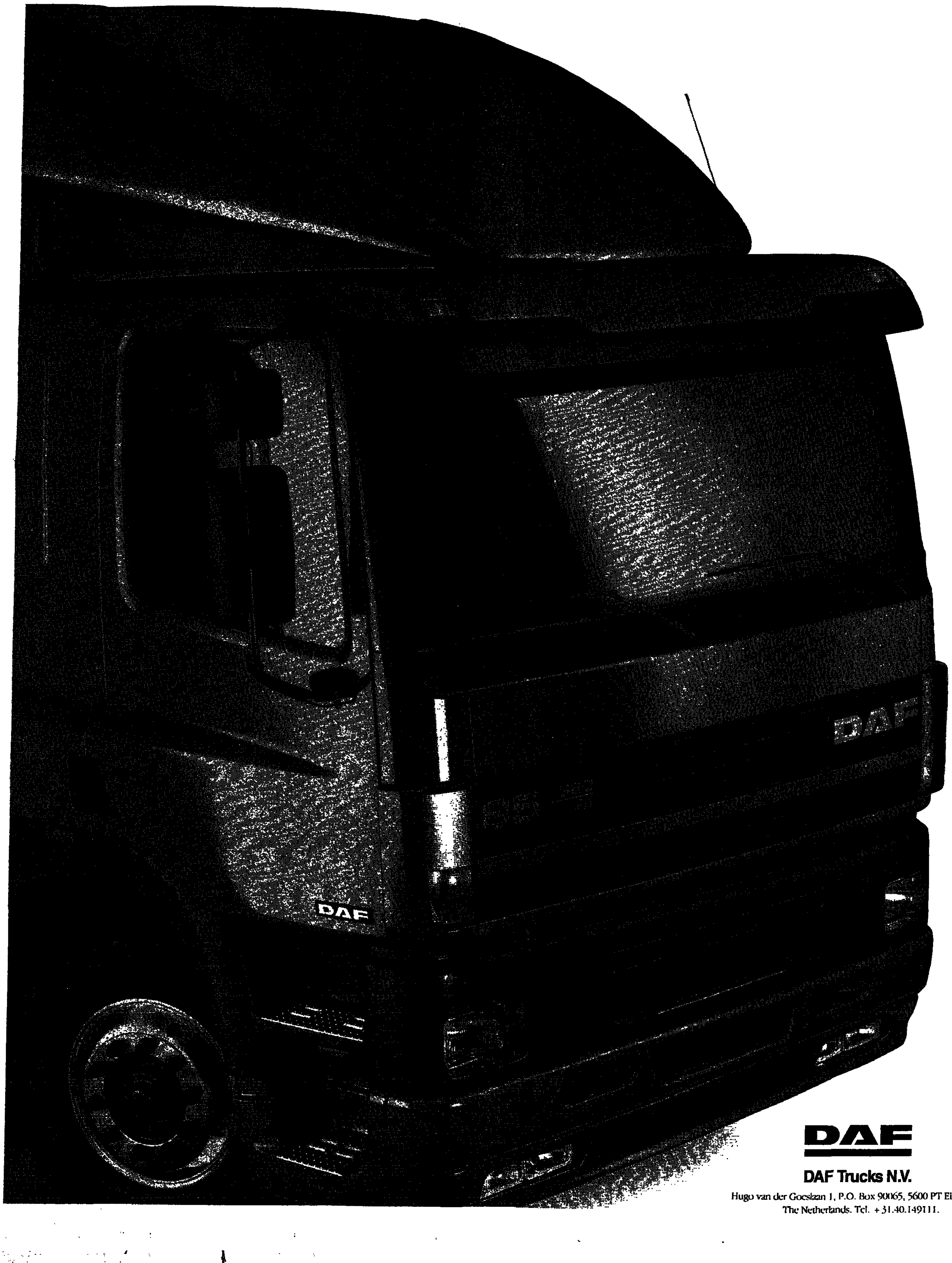

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US industrial production up by 4.3%

By George Graham in Washington

US INDUSTRIAL activity continued to grow at a strong pace last month as inflation remained steady, feeding hopes of a sustained economic recovery.

The US Federal Reserve Board said industrial production rose by 0.4 per cent in February, the fifth month in succession in which it has increased. Output showed a 4.3 per cent gain over the past 12 months, the Fed reported.

Despite a dip in output of motor vehicles, production of consumer goods rose 0.6 per cent in the month to a level 5.3 per cent higher than a year ago, while a 0.3 per cent monthly gain left production of business equipment 8.2 per cent up over the past 12 months.

Excluding motor vehicles and parts, output of consumer goods rose 0.8 per cent in February and output of business equipment 0.5 per cent.

Factories and plants operated at 79.9 per cent of capacity in February, the highest rate for 18 months, the Fed said.

At the same time, the Commerce Department said the consumer price index climbed by 0.3 per cent in February, taking the year-on-year inflation rate a notch lower to 3.2 per cent.

Excluding volatile energy and food prices, prices increased by 0.5 per cent, taking this core rate of inflation higher to 3.6 per cent year-on-year and prompting some concern about a revival of inflationary pressures.

But economists said much of the rise was attributable to a predictable increase after seasonal adjustment in clothes prices, caused by retailers starting their sales much earlier than usual and having little room left to offer further discounts, as they would usually do in February.

"We believe overall material costs remain moderate. Overall, we expect inflation to average just 2.8 per cent in 1993 compared to 3.0 per cent in 1992," said Wall Street brokerage company Merrill Lynch.

● The twin towers of the World Trade Centre, shut by a bomb that destroyed communications and safety systems, will start to reopen today ahead of schedule, officials announced yesterday, Reuter reports from New York.

New York state Governor Mario Cuomo, who has an office in the building, will today be the first tenant to return. Others will return tomorrow, the Port Authority of New York and New Jersey, which manages the complex, said. The Authority had previously set an April 1 target for reopening the towers. The bomb blast in a car park on February 26 killed six people.

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President Bill Clinton with Irish premier Albert Reynolds in Washington

Clinton 'serious' on Ulster mission

By Jurek Martin in Washington

PRESIDENT Bill Clinton yesterday said he was still giving "serious consideration" to sending either a special US envoy or a fact-finding mission to help end the sectarian violence in Northern Ireland.

But he declared that "the most significant thing I should be doing now is to encourage the resumption of the dialogue between the Irish and the British governments".

The president spoke after a St Patrick's Day meeting in the White House with Mr Albert Reynolds, the Irish prime minister. Mr Reynolds applauded Mr Clinton's determination to contribute to a solution in Ulster, adding that the US "has the potential to be uniquely helpful".

But Mr Reynolds ducked questions about whether he would support either of the two initiatives under consideration. The UK government is opposed to the despatch of an envoy but had indicated a willingness to accept a fact-finding mission, depending on its terms of reference.

Mr Clinton stressed that "I don't think the US can make peace in Northern Ireland and I don't think that the unionists and the nationalists and anybody else would expect that".

He added, without elaboration, that he still supported the MacBride principles intended to ensure that discrimination is not practised in any foreign investments in the province. Mr Clinton also announced the nomination of Mrs Jean Kennedy Smith, sister to the three Kennedy brothers, as the next US ambassador to Dublin.

Such modest US political pressure as there was on Mr Clinton to intervene in Ulster has, if anything, abated since the visit of Mr John Major, the British prime minister, last month. Yesterday a ritual St Patrick's Day motion condemning violations of human rights in Ulster and urging Mr Clinton to send an envoy was introduced into the House for the record by Congressman Hamilton Fish, New York Republican, but it was not debated.

Democratic leaders guard budget cuts

By George Graham

THE US congress began debating President Bill Clinton's budget proposals yesterday amid a last-minute struggle by Democratic leaders to preserve the plan against pressure for more cuts in spending.

The leadership appeared confident of winning passage, in votes expected today, of a budget resolution that would cut the deficit by a total of \$510bn over the next five years through a combination of spending cuts and tax increases.

"There is a substantial majority within the caucus to enact the package," said Mr Thomas Foley, the Speaker of the House of Representatives.

Some party leaders were concerned, however, about pressure from conservative Democrats, especially in the Senate, for cuts in the \$16.3bn short-term stimulus package that Mr Clinton proposes as an accompanying measure.

The budget resolution, which does not get into the details of which programmes would be cut, has already been considerably modified from the initial plan laid out last month by President Clinton.

Echoing public enthusiasm for a serious attempt to tackle the federal budget deficit, members insisted on \$63bn of additional spending cuts over five years. The resulting plan is expected to cut the budget deficit to \$183.6bn in 1997, compared with a target of \$206bn in the Clinton plan and a forecast of \$322bn if policies remained unchanged.

But details of the spending cuts would have to be debated in a later budget reconciliation bill, when support might start to coalesce behind individual spending programmes now pencilled in for cuts.

The House is expected to debate one or two substitute budget resolutions offered by the Republican minority, as well as an alternative proposed by the congressional Black Caucus, which would make deeper cuts in defence to pay for increased spending in areas such as education.

The first Republican substitute, backed by Congressman John Kasich, the senior minority member of the Budget committee, would lower spending by \$429bn over five years, cutting out all the spending increases planned by President Clinton, as well as his proposals for tax increases.

A second Republican substitute, backed by Congressmen Gerald Solomon and Steve Gunderson, would cut spending, keep some of Mr Clinton's tax increases on the wealthy, but eliminate the proposed energy tax.

It remained unclear yesterday morning, however, just how many amendments the powerful Rules committee would allow to be brought up.

Salvador amnesty for war criminals

By Damian Fraser in Mexico City

EL SALVADOR'S congress is set to amnesty all those named by a special United Nations commission as responsible for war crimes and other human rights abuses during the country's decade-long civil war. The commission said the vast majority of abuses were committed by the army, or death squads linked to it.

An ally of the right-wing Arena party is expected to introduce the legislation today. Arena and its allies control the congress.

Opposition parties are linking support for the amnesty to implementation of the main UN recommendations, such as dismissal of the Supreme Court, and removal of military officers responsible for abuses.

In Washington, Congressman Robert Torricelli, chairman of the sub-committee on the western hemisphere, accused the Reagan administration of lying about the role of the Salvadoran army in the atrocities, and he would consider whether Reagan officials committed perjury in testimony on El Salvador before the US Congress. El Salvador's government received \$6bn (£4.2bn) in US aid in the 1980s.

The UN Commission catalogued numerous crimes committed by the army, including that there was substantial proof that General Emilio Ponce, the defence minister who resigned on Friday, and other senior officers planned the murder of six Jesuit priests in 1989.

Brazil still has no budget for 1993

By Christina Lamb, recently in Brasilia

THREE months after it should have been voted by Congress, Brazil has no budget for 1993. Six months into office, the government of President Itamar Franco has still not filled thousands of administration jobs.

The delays are the fault of congressmen who, with their eyes on next year's elections, are demanding government jobs for supporters and money for projects in their areas as reward for their support for last year's impeachment of President Fernando Collor and for voting through government legislation.

Brazil's highly fragmented party system means that each bill must be negotiated with 19 parties.

This year, the budget commission received a record 75,000 requests for the \$9bn which Congress controls of the government budget. On Sunday, Mr Messias Gois, the commission's president, fled in tears from negotiations after being attacked by the proponents of 5,000 amendments excluded from the commission's proposal.

It seems to matter little what the projects are for. The latest budget proposal awards more money to Bahia than to Amazonia for combating malaria, yet the disease is almost unknown in the first and endemic in the latter. It reduces to a third the government provision of resources for land reform – one of Brazil's biggest problems. The most popular requests are bridges and roads, because of the potential commissions and electoral appeal.

Some deputies are even directors of engineering companies. Mr Paes Landim, a deputy who suggested using the army for road construction, had his amendment shot down, he believes "because the army don't pay commission".

Complaining that Brazil was ending up with schools where it needs sewerage and bridges where it needs hospitals, Mr Paulo Bernardo, the Workers' Party representative on the commission, said: "This is becoming a complete marketplace." Mr Gois told the Brazilian press that he had been offered \$1m bribes by some deputies to accede to their requests.

Finally this week, a compromise was reached by the commission, but it must still pass through Congress. Waiting impatiently is Ms Yeda Crusius, the planning minister, unable to plan without the budget.

Little better is the process under way to fill jobs in ministries, government agencies and state companies. Mr Franco's wide congressional support means 18 parties, further divided into regional blocs, jostling for positions.

A group of deputies from Minas Gerais state have set up a system whereby they award points for federal jobs in their state such as running state companies. Points are then awarded to the deputies according to the level of support they have given to Mr Franco. All then have the right to spend their points.

None of this is very inspiring for Brazilians, who vote next month in a referendum on whether to maintain a presidentiial system or return to a parliamentary system and even a monarchy.

Clinton envoy to step up pressure on Haiti leaders

By Canute James in Kingston, Jamaica

PRESIDENT Bill Clinton is increasing the pressure on Haiti by sending an envoy to tell the army leaders, who took power in a coup 18 months ago, that his patience with them is running out.

The president fears a flood of Haitians seeking asylum unless the political crisis in Haiti is resolved and Mr Jean-Bertrand Aristide, the president who was overthrown and sent into exile by the army, returns to office.

Mr Clinton's decision was announced after a meeting on Tuesday with Mr Aristide. But the US president refused to announce a deadline for his return to office.

Diplomats in Port-au-Prince, Haiti's capital, yesterday said the military leaders, and the small but affluent elite which backs them, were unlikely to be moved either by a message from Mr Clinton or by Mr Aristide's moderation of his conditions for a return to office.

The intervention by Mr Clinton is the strongest statement yet by a US president in support of efforts to end the political crisis in the Caribbean state of 7m people.

> The president fears a flood of Haitians seeking asylum

Earlier efforts to reinstall Mr Aristide, including an economic blockade of Haiti, have failed, and Mr Aristide has questioned the willingness of the US and other countries to press the coup leaders out of office.

Envoys in Port-au-Prince say, however, that the country's rulers have established sufficient economic supply lines to allow them to continue defying efforts to have Mr Aristide returned. They expect little change after the visit by Mr Clinton's envoy.

But Mr Clinton is backing his initiative with support for a proposed \$1bn (£700m) development fund for Haiti from international financial institutions, to be spread over five years after the elected government is restored. This promise of significant aid for the economically distressed country could bring increased popular pressure on the military rulers, who have traditionally reacted ruthlessly and violently to dissent.

The renewed pressure against the army leaders also coincides with the return to the country this week of Mr Dante Caputo, a former foreign minister of Argentina and now a special UN envoy who has been trying to broker a resolution of the political crisis.

Tokyo digs in over market share targets

By Michiyo Nakamoto in Tokyo

JAPAN will vigorously resist any pressure to accept further market share targets or any other numerical measure of market openness, a senior official at the Ministry of International Trade and Industry said yesterday.

Mr Sozaburo Okamatsu, director general of Miti's international trade policy bureau, said Japan was not in a position to accept proposals from the US to grant a specific market share for a product because Japan was "not a state-planned economy".

Mr Okamatsu's remarks come as the US and Japan prepare for government-level talks in Hawaii to assess the progress made by the US-Japan semiconductor arrangement, which the US industry has interpreted as a commitment to raise the foreign market share of the Japanese chip market to 20 per cent by the end of 1992.

Calls have also been growing in the US to adopt specific market share targets to measure progress made in opening foreign markets, particularly in Japan.

The US advisory committee on trade policy and negotiations, a trade advisory panel chaired by Mr James D Robinson, outgoing chairman of American Express, has submitted a recommendation to President Bill Clinton calling for the use of quantitative indicators which would estimate the dollar value of various formal and informal trade barriers.

The US insistence on a 20 per cent market share in chips reflects its long-held frustration in trying to open the Japanese market as well as the belief that a clear, measurable target is necessary to achieve results.

Japan says it has never accepted that it is committed to granting a 20 per cent foreign share of its semiconductor market and is keen to head off any attempt to introduce further such targets.

"We are a market-oriented economy so we cannot promise any market share to be taken by foreign products," Mr Okamatsu stressed.

"The EC is also taking a keen interest in our bilateral talks with the US. If Japan promised market share in specific sectors to the US, the EC will also want the same thing. We cannot agree to it," he said.

Japan faces calls from the US for greater access to its paper, car car-parts and construction markets.

Lack of progress in an agreement made by the five largest Japanese car manufacturers to make efforts to buy $19bn (£13.3bn) of US car parts and import 20,700 US cars was criticised on Tuesday by House Majority Leader Richard Gephardt.

The US and Japan are also conducting this week a review of a bilateral construction market access accord which Washington claims Japan has not complied with so far.

US and Japan square up over chip deal

Whether it is a deal is itself in question, write **Louise Kehoe and Michiyo Nakamoto**

US and Japanese trade officials and industry executives meet in Hawaii on Sunday to review progress on semiconductor trade. Tensions are high on both sides.

The talks could be a watershed in a dispute that has tarnished US-Japan trade relations for the past decade. They are the first formal meetings between US and Japanese trade officials since President Bill Clinton took office.

At issue is foreign access to the $20bn Japanese market for these crucial components – sometimes known as "chips" – in modern electronic circuits. After long and heated negotiations, the US and Japan drew up a bilateral "arrangement" on semiconductor trade in 1986. With no substantive changes on the market access issue, the pact was renewed for five years in 1991, giving Japan more time to achieve increased imports.

A deadline was set for the end of 1992, by which time the Japanese government agreed that "the expectation of the US semiconductor industry that the foreign market share will grow to more than 20 per cent of the Japanese market" should be achieved. Japan "considers that this can be realised," the agreement stated.

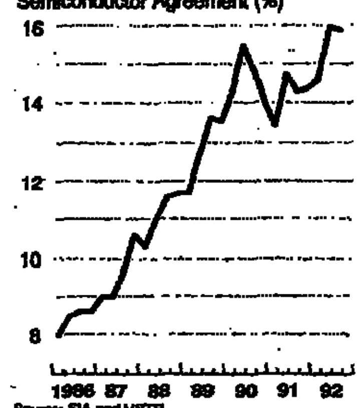
The market share data for the final quarter of 1992 are due to be released in the next two days. They will set the tone for the trade talks.

Already, industry and government officials in both countries have acknowledged that it is unlikely that the 20 per cent "expectation" will be met. In the third quarter of 1992 the foreign market share reached 15.9 per cent, its highest level since the signing of the 1986 agreement, when it stood at 8 per cent.

Ron Brown: 'Prepared to act'

Chip portions

Foreign market share in Japan as defined by the 1991 US-Japan Semiconductor Agreement (%)



Source: SIA and USTR

Another increase of one or two percentage points is expected in the fourth-quarter data. It might even be higher, some suggest, because the size of the Japanese market declined last year as sales of consumer electronics products slowed.

However, Mr Mickey Kantor, the US trade representative, said last week that he would regard anything less than 20 per cent market share as "serious, a commitment not kept".

"And we would begin our discussions from that point. A deal is a deal," he said.

Japanese government and industry officials argue that they have kept their side of the bargain. The Electronics Industry Association of Japan (EIAJ) notes that since 1986 foreign market share has doubled and that sales of foreign-made semiconductors in Japan more than tripled to over $3bn in 1991.

There has also been a significant increase in the establishment of long-term relationships between US chip suppliers and Japanese customers and in the number of "design-ins" – when US chips are designed into prototype Japanese products.

"We believe that in view of the increase in imports and the number of alliances and design-ins, the US-Japan semiconductor co-operation effort has got to be one of the most successful trade agreements the US has," says Mr Koji Matsui, deputy director of the industrial electronics division of the ministry of trade and industry (Miti).

There is rising resentment in Japan over what is seen as abuse by the US of the market share issue. The US industry has used market data to distort the true meaning of the trade agreement, Japanese industry officials contend.

The 1991 agreement clearly states that "the two governments agree that [the 20 per cent expectation] constitutes neither a guarantee, a ceiling nor a floor on the foreign market share", the Japanese point out.

US officials maintain, however, that market share numbers provide a measure of progress that has been invaluable in maintaining pressure on Japan to keep up its efforts to increase market access. The Clinton administration plans to include similar "temporary quantitative indicators" in future trade pacts.

At the talks in Hawaii, the US is expected to propose a market share target beyond 1992. "We are not going away until that number is achieved," says Mr Andrew Procassini, president of the Semiconductor Industry Association, the US industry trade group. "Our goal is to achieve a minimum of 20 per cent of the Japanese market on an ongoing basis."

The Japanese, however, will strongly resist any new market share goals, says Mr Stan Anderson, Washington lobbyist for the EIAJ. "It would be very, very difficult for the Japanese side to ever accept another numerical goal of any kind because the SIA has misused the clear language of the arrangement so often," he says.

"The Japanese delegation will go to Hawaii with the objective of trying to convince the US that it remains committed to implementing all aspects of the agreement," Mr Anderson says.

"We are going to Hawaii to hear what the number is," responds Mr Procassini, "to see what response the US government will have and, if asked, to discuss it with the US government. We are only concerned about a measure of openness of the Japanese market, and that is 20 per cent market share."

It is clear that the US semiconductor industry has the sympathies of the Clinton administration. "We must be prepared to act," Mr Ron Brown, the commerce secretary told a meeting of the SIA in Washington last month. "We must see to it that agreements are kept, even if it takes hard-nosed head-knocking on our part."

Gatt talks on China mark time

By Frances Williams in Geneva

CHINA'S attempt to rejoin the General Agreement on Tariffs and Trade made little headway during three days of talks with trading partners ending yesterday. More talks are scheduled for the end of May but early resumption of membership now looks improbable.

"There's no great enthusiasm to work rapidly" towards Chinese membership, said one European official. Beijing appeared to have hardened its opposition to a special safeguards clause in its membership terms which would protect trading partners from sudden import surges.

Strong safeguards provisions are seen as essential by the US, the European Community and other industrialised countries which fear a flood of cheap imports once trade barriers come down. Even without Gatt membership, China is expected to enter the ranks of the world's top 10 trading nations this year.

Supported by some third world countries, Beijing is pressing for standard membership terms as a developing country. However, trading partners argue that, despite substantial liberalisation, China's economy is not fully compatible with Gatt's market-based fair trade rules and requires special treatment, not least because of its size.

China, a founder member of Gatt, left in 1950 after the Communists took power in Beijing.

S Korean relief over chip duties

By John Burton in Seoul

SOUTH Korean semiconductor makers yesterday expressed relief that dumping duties imposed by the US on their memory chips are far lower than expected.

The industry, one of South Korea's biggest exporters, said the duties, averaging 3.19 per cent, would have a minimal impact on sales of dynamic random access memory (D-Ram) chips in the US, their biggest foreign market.

The US Commerce Department on Tuesday drastically lowered preliminary dumping duties imposed last October on Korea's three main semiconductor companies for unfair pricing of D-Ram chips.

The duty for Samsung Electronics, South Korea's biggest semiconductor company, was cut from 87.4 per cent to 0.74 per cent, while that for Goldstar Electron fell from 52.41 per cent to 4.97 per cent.

However, Hyundai Electronics faces a higher penalty of 7.19 per cent (5.99 per cent).

Exports to the US totalled $854m (£601m) last year and the Korean producers had expected penalties of at least 10 per cent. They and their US computer industry customers argued high dumping duties would drive up semiconductor prices and harm ailing US computer makers.

Semiconductor prices in the US have already risen 20 per cent since the preliminary duties against the Korean chip makers were announced.

Mexico City in big water deals

By Stephen Fidler, Latin America Editor

TWO British and two French water companies, working with Mexican partners, have won contracts worth more than $1bn over the next 10 years to improve water and sewerage services in Mexico City.

The contracts, described as among the biggest of their kind in the world, are part of an attempt to expand and upgrade the capital's water and waste water system and to improve the service to about 9m people.

The Mexican government is relying increasingly on private sector enterprises to carry out work previous done by the state.

North-West Water and its Mexican joint venture partner, the construction group Grupo Gutsa, won a contract valued at $400m over 10 years to provide services for five of the 16 municipalities, representing almost a third of the city.

Severn-Trent and its partner Iasa won a contract valued at $350m in four municipalities in the central and north-eastern areas of the capital.

The contract won by Générale des Eaux, in a joint venture with the construction group ICA and bankers Banamex, covered three municipalities and is expected to yield turnover of FFr500m (£63m) a year after the first two years, according to the company.

Lyonnaise des Eaux was also awarded a contract for four municipalities, although details were not available.

Seven consortia – including other groups from Britain, Spain and the US – bid for the contracts.

The first stage will involve preparing a water census for the city, the installation of water meters and the mapping of water and sewer network. New billing methods will also be put in place and a large programme of repairs and improvements carried out.

Budget likely to prompt calls for dividend shake-up

By Maggie Urry and Roland Rudd

COMPANIES operating in the UK are likely to find themselves under pressure from shareholders to reassess their dividend policies following changes to advance corporation tax (ACT) announced in Tuesday's budget, according to tax experts at accountants Ernst & Young.

Mr Andrew Jones, senior tax partner at Ernst & Young, warned: "Companies will have to pay bigger dividends to keep their share prices up".

The changes to ACT were among the most significant announcements of Mr Norman Lamont's budget speech to parliament and could have implications for companies' decisions on where and how they raise new finance.

ACT is paid by companies on dividends and can then be offset against UK corporation tax. However, many companies do not pay sufficient UK corporation tax to offset fully the ACT, meaning that they end up paying more tax.

A US company, for example, might have operations in a number of European countries, with a head office in the UK. Profits from say France and Germany would be channelled through the UK companies, which would remit dividends to the US parent. These dividends would attract ACT, which might then not be offsetable, leaving the company with a high tax burden. Such companies were being tempted to move offices out of the UK.

Under the changes in the budget, designed to establish a special tax regime for multinational companies from the 1994-95 tax year, shareholders which do not pay tax, such as pension funds, will get a reduced rate of tax credit on dividends paid out of UK profits.

Dividends paid from overseas earnings, under the proposed foreign income dividend scheme, will not carry any tax credit. Thus such shareholders will be significantly worse off unless dividends are increased.

In theory, since a company is owned by its shareholders it should not matter that a benefit is shifted from investors to companies. However, this will cut little ice with investors.

On the positive side, if companies' tax bills are reduced by the ACT changes, then their earnings will increase, giving them scope to pay more in dividends. Mr Jones said: "If the rate of dividends rises to compensate investors, the only help companies get is in shifting the burden of cost from the tax line to the dividend line of the profit and loss account".

Tax experts at Ernst & Young also claim the Inland Revenue is likely to increase its tax take through ACT as a result of the changes.

Companies were yesterday looking at the implications of the ACT proposals. Mr Colin Hope, chairman and chief executive of T&N, the motor components and engineering group, agreed that "there could be a problem from tax-exempt shareholders pressing for higher dividends."

Mr Derek Bonham, chief executive of Hanson, the Anglo-US conglomerate, believed Hanson's tax charge could fall by as much as £35m. But he said, "I think it is too early to say whether that means we will pay additional dividends."

Mr Peter Clappison, finance director of BBA, the component maker for the automotive and aviation industry, said he would be taking soundings from the group's tax-exempt shareholders. "It is not clear they will be pressing for higher dividends. We will make up our minds as to what we do after we hear back from them."

The ACT changes could also affect the timing of dividend payments in the short term. The shift from a 25 to 20 per cent rate of ACT will hit higher rate tax-payers, who will be required to make up the difference between the ACT rate and 40 per cent income tax. Mr Jones suggested that private companies with higher-rate tax payers as shareholders may pay substantial dividends before the end of the tax year.

Institutions study UK tax reforms

By Norma Cohen

THE chancellor's budget sent institutional investors scrambling yesterday for copies of the Inland Revenue bulletins spelling out the fine print of corporate tax changes.

The bulletins clarify whether professional investors need to re-think the way they have structured their portfolios, whether equity weightings should be pared or increased or whether overseas holdings look more attractive.

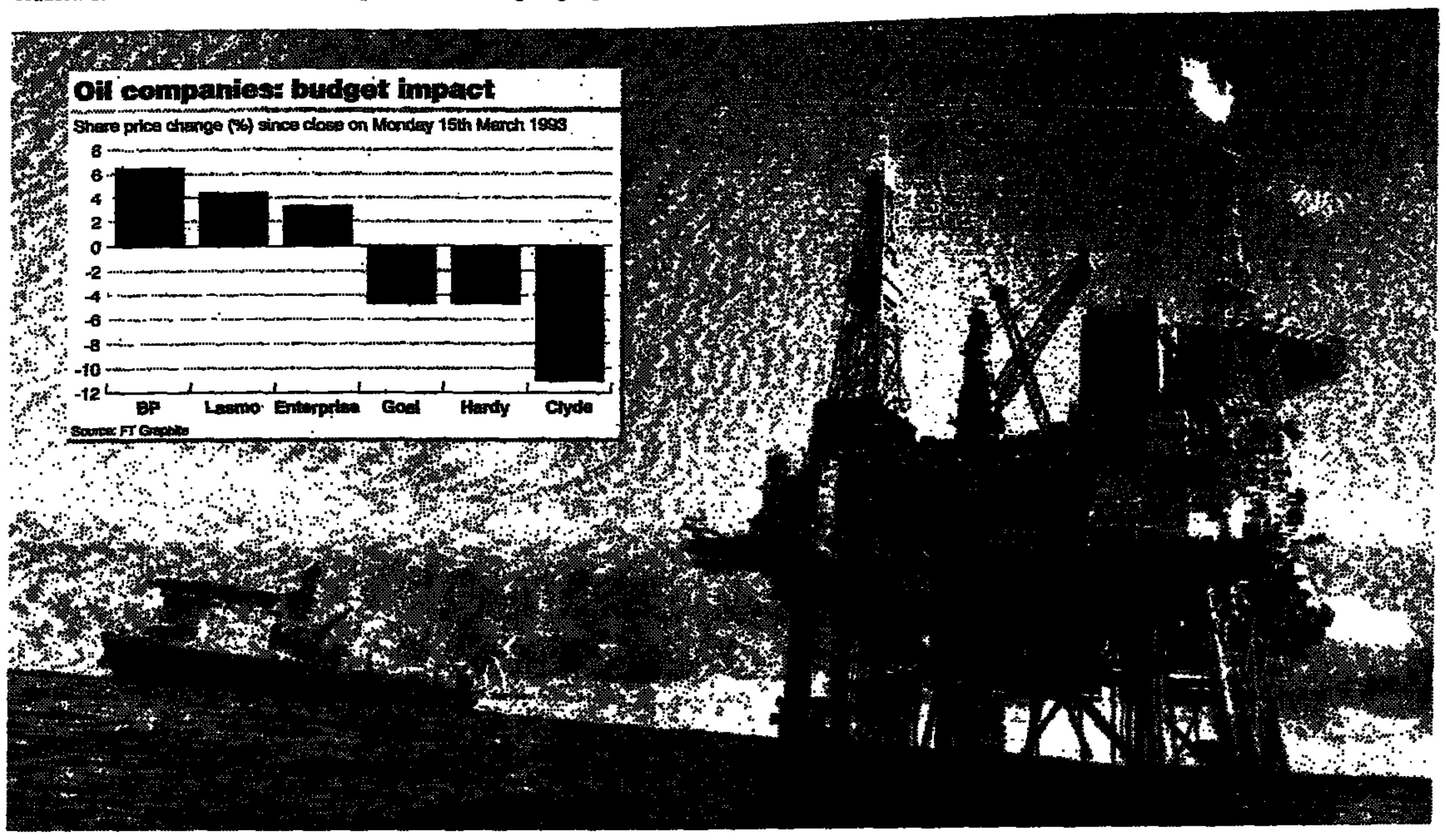
Fund managers at Legal and General Asset Management, one of the largest UK life insurers, concluded there was little in the budget to suggest restructuring was necessary. Among key issues for them is the effect on investment decisions of lowering the percentage of advance corporation tax payable on corporate dividends that pension funds can reclaim. From April 5, pension funds will only be able to reclaim 20 per cent of ACT paid on UK corporate dividends, down from 25 per cent.

The budget also exempted non-domestic profits from ACT, a long-term bone of contention among companies with export-driven earnings or overseas operations. The resulting cut in tax charges could well be passed on to shareholders in the form of higher dividends, he said.

Mr Rough said when the rebatable ACT rate for pension schemes was cut from 30 per cent to 25 per cent over a period of several years beginning in 1984-85, several UK corporations did precisely that.

The effective cut in dividend yields for pension funds, meanwhile, is too small to justify a shift into UK gilts, Mr Rough said. The yield on the FT-A All Share Index has fallen marginally by about 0.25 percent to just below 4 per cent, but equities are still likely to out-perform gilts, albeit by a smaller margin.

Mr Paul Whitney, chief executive at CIN Management, the in-house manager of the £13.5bn British Coal pension schemes, said that institutions will have to wait to see just how corporations respond to the changes in ACT. "First, we don't know what corporate earnings will be after these tax changes. Nor do we know whether the lower ACT charges for overseas earnings will be passed on in the form of higher dividends." He noted that the earnings/dividend ratio for many companies had fallen well below the two-times cover considered prudent and many would wish to rebuild that before raising pay-outs.



Oil company shares were hit yesterday as the City reacted to the most significant overhaul to North Sea taxation in 10 years, announced in the budget on Tuesday, writes Deborah Hargreaves.

The complexity of the changes means there will be substantial winners and losers. British Petroleum is one of the main beneficiaries and its share price rose. But some smaller exploration companies saw their shares fall – Clyde Petroleum and Hardy Oil and Gas were down 11 per cent and 5 per cent respectively.

Mr David Simon, BP chief executive, said the cut in the rate of petroleum revenue tax from 75 per cent to 50 per cent was "a long-sought and fundamental structural reform." City analysts estimate that the change will boost BP profits by £100m to £150m. Shell added a note of caution. Mr John Collins, chairman and chief executive of Shell UK said: "The inability to charge exploration and appraisal expenditure against income from PRT-paying fields puts a downward pressure on exploration and appraisal activity."

'Downsizing' expected in choice of company car

By John Griffiths

THE composition of UK car sales is expected to change following the chancellor's announcement of a simplified structure for company car benefit tax, Britain's volume car makers said yesterday.

Company car users are likely to seek voluntary "downsizing" of the vehicles to lower their individual tax bills, according to Mr Tony Brigden, director of fleet sales for UK market leader Ford: "But this trend was in progress anyway through a general desire for smaller cars and environmental factors."

More important was that by removing the current tax regime's combination of engine capacity and price bands, "manufacturers can plan without having to take account of false restrictions, and product planning can be driven wholly by market forces".

From 1994-95, company car tax will be based wholly on a percentage of cars' retail list prices plus "extras". Car manufacturers, however, indicated that they expected little negative effect on sales volumes following the tax, to be introduced next year.

Companies operating at the lower end of the luxury and specialist sports car sectors, such as Jaguar and TVR, are likely to welcome the new structure. However, Rolls-Royce and Aston Martin, both selling cars in the £100,000-plus category, stand to be badly affected by the fact that there is no ceiling on the new tax scheme.

The user of a "perk" Rolls-Royce Silver Spur costing £115,000, and covering fewer than 2,500 business miles, will pay tax of £16,100 for the private benefit of the car under the new scheme. This is based on paying tax at the top marginal rate on 35 per cent of the retail list price of the car. Under the existing system entering its final year, the charge will be only £6,024.

OTHER UK NEWS

Stalemate looms over coal industry review

By David Owen and Michael Smith

THE GOVERNMENT'S coal review approached stalemate yesterday as Mr Michael Heseltine, trade and industry secretary, told MPs he would not publish the promised white paper, or policy document, until after new contracts between British Coal and electricity companies in England and Wales had been signed.

Mr Heseltine's remarks astonished senior electricity industry executives who had indicated previously they would not sign agreements until they had assessed the white paper.

The chief executive of one regional company said Mr Heseltine's remarks were a "a bolt from the blue. I am very surprised he has taken this line".

Another said he found Mr Heseltine's comments extraordinary. "We have every confidence the deals can be signed – and soon – but the trade secretary's comments make us suspicious about what is in the white paper."

Separately, British Coal said redundancy terms which allow miners up to £37,000 are to be extended for a further nine months from March 31. Some 8,094 miners have left the industry since October, 400 in the past week alone. Yesterday's developments heightened fears of further delay before the government decides on its final policy over 31 threatened pits.

British Coal's existing contracts with electricity generators expire at the end of this month, raising the possibility that it will be mining coal for its own stockpiles without receiving any money from the electricity industry. The contracts are worth £120m a month to British Coal.

In addition, talks with the government and the generators on tonnages above the contracts referred to yesterday by Mr Heseltine are making only limited progress. What discussion there is envisages additional tonnages of between 40m and 50m tonnes over five years, less than the government originally wanted and enough to save just a handful of pits.

However, there was more encouraging news for the coal industry when it emerged that France might, after all, agree to import small quantities of British electricity through the cross-channel interconnector.

DTI officials said there was a prospect of the French taking "relatively modest" quantities of electricity through the link, potentially increasing the market for deep-mined British coal.

Fears of delay were reinforced last night when Downing Street said the coal review, originally promised as soon as possible in February, would not be discussed in cabinet today and may not be next week either.

DTI officials, however, said the policy document could be published quite quickly after British Coal's deals with the generators and regional electricity companies were signed.

Britain 'must double non-OECD exports'

By David Owen

BRITAIN needs to double its capital goods exports to countries outside the Organisation of Economic Co-operation and Development from £10bn to £20bn a year within a decade if it is to maintain its market share, according to government estimates.

Mr Richard Needham, trade minister, said yesterday there was "every chance" of being able to achieve this rate of growth in what he described as the one area of world trade where Britain's percentage share had recently contracted.

"Our problem has been we have not worked as a team in the same way as some of our competitors," he said. The Department of Trade and Industry is restructuring the help it gives to domestic capital goods manufacturers bidding for overseas contracts.

Mr Needham provided details of the budget announcement of cuts in export insurance premium rates and £1.3bn of additional export credit cover in certain markets over the next three years.

Premium levels had been re-evaluated to make sure Britain was competitive with its principal rivals, but Mr Needham: "Obviously we are not going to be the cheapest in every market in the world."

The biggest reductions – of up to 45 per cent – were being implemented for Singapore and Taiwan, with cuts of up to 35 per cent for Hong Kong, South Korea and Malaysia.

Exporters to China, India, Indonesia and Oman would benefit from reductions of up to 25 per cent. Mr Needham said he could see no evidence "at the moment" that Britain's commercial relationship with China was being damaged by the current political differences over Hong Kong.

Iran was one of a number of countries where premium rates were being increased – in its case by up to 10 per cent. This was attributed to problems regarding negotiations over sovereign loan guarantees.

China and Indonesia were named as specific beneficiaries of the £1.3bn in extra export credit cover, of which £300m is to be available in the coming financial year. In the case of Indonesia, the move is expected to give a fresh lease of life to the market, since the amount of cover previously available was fully committed.

On the lack of arrangements for reinsurance against political risks after 1994, Mr Needham said the government did not want to have "inadequate" cover, but it should be provided by the private sector if possible. It expected to give NCM – the Dutch credit insurer which acquired the Export Credit Guarantees Department's short-term business – an indication of its position in September.

Teenage hacker is acquitted

A SCHOOLBOY whose obsession with computer hacking led him to break into computers operated by the Financial Times and other institutions was acquitted yesterday of three charges under the Computer Misuse Act, writes John Mason.

Mr Paul Bedworth, aged 19, had become so addicted to hacking that he became ill and no longer knew why he did it, according to expert psychiatric evidence given at his trial.

In the first prosecution brought under the Computer Misuse Act 1990, Mr Bedworth denied charges of conspiracy to obtain telecommunications services dishonestly, conspiracy to cause unauthorised modification in computer material and conspiracy to secure unauthorised access to computer material.

The trial was regarded as a test of the law, which was brought in specifically to outlaw hacking. But the nature of Mr Bedworth's defence means questions about the law's effectiveness remain unanswered.

Mr Bedworth began hacking when he was 14 using a £200 computer given to him as a Christmas present, the court was told. From his bedroom, he gained entry into computers run by large organisations and then used their telephone accounts to fund other hacking. His activities cost the FT more than £20,000 and the Brussels-based European Organisation for the Research and Treatment of Cancer £10,000 in telephone bills.

Britain in brief

Court rejects Touche Ross legal action

A 17-month bid by Touche Ross, administrators of Polly Peck International, to sue the Central Bank of Turkish Cyprus for £45m has been rejected by the Court of Appeal.

The claim was part of the administrators' attempt to recover between £400m and £500m allegedly misappropriated from the collapsed fruit and electronics group. Touche Ross had claimed that the bank had knowingly assisted Mr Asil Nadir, the Polly Peck chairman, in committing an alleged fraud or received the £45m knowing it was being paid in breach of Mr Nadir's fiduciary duty to PPI.

Touche Ross had been given permission by the High Court to issue a writ against the bank in Northern Cyprus, outside the jurisdiction of the UK courts. But by a 2-1 majority, three appeal court judges ruled that the case against the bank was not strong enough to justify allowing the writ to be served in a foreign country. Touche Ross said it would be seeking leave to appeal.

Fire service strike threat

A national strike by Britain's 49,000 firemen was threatened yesterday if the government refuses to fund a pay award calculated under a pay formula instituted in 1979.

The warning came from Fire Brigades Union leaders after a meeting with Mr Kenneth Clarke, home secretary, who insisted that no exceptions could be made to the 1.5 per cent public sector pay limit introduced by the government last November.

Big pollution fines urged

Magistrates are taking environmental pollution more seriously than in the past but fines need to be tougher , the pollution inspectorate said.

During 1992 the inspectorate prosecuted 18 companies, which were fined a total of £103,405, it announced in its fifth annual report. The inspectorate is starting to implement the law's framework of Integrated Pollution Control for industry. But companies and environmentalists have criticised the measures for being too unwieldy and the inspectorate for being too small.

Strategy plea on aerospace

A strong plea for a "national strategy" for the aerospace industry was made by Mr Dick Evans, chief executive of British Aerospace.

He told the Commons trade and industry committee aerospace was one of the few activities in which Britain was still a world leader. It was clear that France, and more recently Germany, had developed strategic plans for their aerospace sectors. "Unless we address the issue of investment in a much more specific way we are in danger of losing the ground, or part of the ground, that we are currently occupying," Mr Evans said.

Fraud at BP denied

British Petroleum was not defrauded by middlemen acting for engineering companies bidding for lucrative North Sea contracts because it ultimately received the best value for money, Southwark Crown Court has been told.

The prosecution was misguided in suggesting that BP was a victim of fraud because confidential information had been leaked regarding the tendering processes for 11 contracts, Mr Paul Purnell QC, for Mr Josef Szrajber, said. BP witnesses had agreed that in all but one case, the oil company had got the best value contracts.

Mr Szrajber and Mr Paolo Sorelli, another intermediary, deny seven charges of conspiring to defraud BP by using confidential information. The trial continues today.

Confidence in north grows

The first quarterly economic survey by a north of England chamber of commerce this year shows a marked increase in business confidence, further expansion of companies into export markets and a small increase in capital investment.

Sheffield chamber's survey of 315 companies also suggests there is a reduction slowdown in labour-shedding. A quarter of companies cut their workforce in the first quarter, but only 12 per cent say they will do so between April and June.

Overseas trips more popular

The British took a record number of foreign holidays and fewer in the UK last year, despite the recession and a campaign by the English Tourist Board to promote local seaside resorts. The number of foreign holidays of four nights or more taken by UK residents rose 9 per cent to 21.75m.

Factories to be sold off

The Welsh Development Agency is selling 52 of its 1,800 factories in its largest single disposal. The factories are being bought for about £15m by Thomas Bailey Investments of South Wales.

MANAGEMENT: MARKETING AND ADVERTISING

Guinness believes brand development is the key to its future, writes **Guy de Jonquières**

Blending genius and magic

Has Guinness lost its genius? The question has been asked ever since recession ended the company's meteoric growth record in the late 1980s. It will be highlighted again today, when Guinness is expected to report a sharp fall in last year's profits.

The doubts turn on more than the weak international economy and soggy consumer spending. The fundamental issue is how much more mileage the company can extract from the marketing magic which has helped it generate profits by persuading Scotch drinkers around the world to keep trading up to ever more expensive brands.

The blunt response from Tony Greener, Guinness's chairman, is that the world ain't seen nothing yet: "If somebody says: 'I thought Guinness's marketing was pretty good,' I say yes, it is a hell of a lot better than five years ago. But it is absolutely nothing as good as we aspire to in the future."

Indeed, he says, the task of turning the company into a thoroughbred marketing organisation has barely begun. Until recently, the overriding priorities were to reorganise the spirits division, following the acquisition of the Distillers Company in 1986 and to gain control of international distribution.

Attention started to focus less than three years ago on brand development, which Greener regards as the key to Guinness's long-term future. Since then, more than 50 senior marketing executives have been hired from heavyweight consumer products companies including Procter & Gamble, Mars and Unilever.

Greener: 'We have massive amounts of research which show people can't tell the difference between one Scotch and another'

The challenge now, Greener says, is to unite the company around a basic core of shared beliefs, rooted in a clear appreciation of the distinctive skills which the drinks business requires.

"If you look at P&G or similar companies, one of their great strengths is a system, a way of doing things which has proven successful over a long period. We are starting – underlined – to get together a group of people who are beginning to understand what it takes."

Injecting so much new blood all at once is, he admits, a mixed blessing. "While bringing all these guys in has been necessary and marvellous as a stimulus, at some stage the process has to slow down a bit. You've got to consolidate and say, that's great, but around here this is what works. So forget your fancy ideas for marketing soap flakes, chocolate biscuits, fragrances, or whatever."

So what does work for Guinness? The starting point, says Greener, is that all Scotch tastes much the same.

"We have massive amounts of research which show that people can't tell the difference between one Scotch and another. Though they swear total allegiance to one product and would never dream of drinking Brand X, in blind tastings Brand X is more often than not what they select."

The only real point of differentiation is image. In the spirits business, says Greener, it is cultivated only incidentally through advertising. The really vital brand-building is done in the "on-trade" – the clubs, bars, cafés and pubs where what people drink is often a signal about who they think they are. "Unless you've got that on-trade franchise, it's difficult to build anything else."

The second rule is to keep telling the same story. "You're talking about the presentation of a product, the outlets where you'll find it, pricing, advertising, promotions – every single point of communication between an individual and that brand. The whole marketing mix has to come together to hit the target in a particular way."

The central challenge Greener has set for Guinness is to develop a coherent, company-wide, set of brand values and identities which is also flexible enough to be adapted to local conditions in each of the 180 countries in which its spirits are sold.

"If you think of the number of contact points and the number of times the message has to be relayed to individuals around the world, it is an enormous process – the time, the money involved and, above all, the consistency of the message. There is no quick fix, no magic wand I can wave. The key words really are consistency of message over a very long period of time."

A very spirited affair

Johnnie Walker Scotch whisky is Guinness's most valuable brand asset. It accounts for an estimated third of the group's overall spirits profits and sells more than the combined volume of its two closest rivals, Chivas Regal and Rémy Martin cognac, in the international duty-free market.

Johnnie Walker's recent development not only exemplifies the Guinness group's shrewd marketing approach; it demonstrates how a good consumer brand can be revived and then extended with a range of complementary products.

When Guinness's spirits subsidiary United Distillers acquired the brands in the 1986 takeover of DCL, the old Distillers' company, they were showing signs of neglect. DCL's marketing focus had become blurred in a drive for volume sales. Many of its whisky brands competed against each other. Positioning was confused. Red Label, the world's best-selling Scotch, was supported in Europe by seven different advertising campaigns, each delivering a different message.

Guinness restored order. Key brands were repackaged and repositioned to cover different sectors of each geographical market. New advertising campaigns presented a consistent image of high quality and matching lifestyles. Prices reflected the up-market move.

The distilling company Johnnie Walker is named after the Kilmarnock shopkeeper who founded the distillery in 1820. Johnnie Walker Red Label and Black Label, a deluxe blend of whiskies up to 12-years-old, were launched in 1909. In 1932, the brand was extended with the launch of Swing, a blend containing 17-year-old malts.

Guinness's brand building has been based round Red Label, which was positioned as the leading international premium brand and given a significant slice of the advertising budget. It is now among the three leading brands in 16 of the world's top 20 markets. Priced at about £10 a bottle, it has sales of 6.5m cases a year.

Black Label, with annual sales of 3m cases, provides the first step for aspirational consumers. It is also rewarding for Guinness. Selling one bottle of Black Label instead of two bottles of Red Label gives the company 24 per cent more profit. In some growth markets, such as Thailand, Black Label is the dominant member of the Johnnie Walker family.

Swing has found niches in the US, Asia/Pacific, Africa and South America.

During the past six years, Guinness has used the Johnnie Walker brand to fill more high-priced and profitable gaps in international markets.

In 1987, it launched Johnnie Walker Oldest, since renamed Blue Label, in the duty-free market. It is now available through a few UK outlets at about £120 a bottle.

Gold Label, a 15-year-old blend priced at about £60, was produced exclusively for the Japanese market in early 1990. It was followed the same year by Johnnie Walker Premier, blended with 25-year-old malts. In Taiwan, it sells for £400 a bottle. Last year, top-of-the-range Johnnie Walker Honour, a blend of 40-year-old malts, was introduced in Taiwan at £525 a bottle.

Guinness is now test marketing a whisky-based liqueur under the Johnnie Walker brand name in the US.

Philip Rawstorne

The direct seller's party piece

By Gillian Tett

If you want to sell sex toys or Tupperware tubs in a recession, how do you go about it? Throw a party, according to a growing number of small clothing and hardware firms.

In recent years party plan selling – as the original Tupperware sales format is known – has been expanding along with other forms of home-based marketing.

Turnover in the direct-selling sector now amounts to more than £769m, and is growing at 10 per cent a year, according to a recent report by the Direct Selling Association. Some of the most successful firms are notching up annual growth rates of more than 50 per cent.

The Ann Summers group, for example, which first made its name with sex shops, has seen its sales of lingerie and marital "novelties" almost double in the last two years to £43m, primarily through party-plan selling.

The more mundane household item Betterware group – which, after the cosmetics giant Avon, is now the second-largest direct-selling company in the UK – has recorded a rise in its turnover from £2m to £65m.

Direct sellers themselves attribute this growth to their aggressive marketing techniques – at a time of low consumer confidence personal contact and word-of-mouth recommendation is, they say, more effective than advertising.

"If people are told that times are bad, that they shouldn't spend money, then they don't like going shopping. But the demand is definitely still there if you take it to them," claims Deon Melck, managing director of Tupperware UK, the original pioneers of the suburban hard sell.

But another factor seems to be the attraction of part-time sales work at a time of high unemployment. In spite of the changes in female employment that have occured since Tupperware parties were first launched in the 1950s, the majority of the 45,000 direct selling agents in the UK are still women. Ninety three per cent of these are part time, and increasingly they schedule the sales work for the evenings.

"It's a good job," says "Phil" a London-based saleswomen for Ann Summers, who had previously organised Tupperware parties. Her commission from the sales – 79 per cent of direct selling companies work on a commission basis – is around £1,000 a month.

"In a recession people might not want to go out and buy a vacuum cleaner – but they do want to have fun," she adds.

In the case of Ann Summers this fun factor pays dividends. To break down inhibitions, each sales party starts with games, continues with demonstrations and then finishes with women placing their orders in carefully sealed, anonymous envelopes.

At a typical Thursday evening party in Orpington, Kent, most of the 15 female guests arrived claiming that they were only there "for a laugh" – but then left after spending a total of £235.

Although most direct sellers recognise that their sales forces may contract if jobs growth in the economy resumes, they insist that their turnover will continue to rise in a recovery.

Nevertheless, as James May, director of the British Retailers Consortium, points out, the sector still remains tiny compared with the retail market, accounting for less than ¼ per cent of total consumer sales.

According to the Direct Selling Association, however, retailers have recently shown increased interest in direct selling. But attempts to fuse the two sectors face a fundamental problem – sales staff may be less motivated to market their goods if they can be easily purchased from a nearby corner shop.

In an effort to prevent retailers from "poaching" their ideas, direct-selling companies are now attempting to step up product innovation. Tupperware, for example, recently launched a new range of childcare products. But as direct-sales companies themselves acknowledge, ultimately their main weapon remains their low overheads, flexible sales force and, above all, the personal customer contact.

"It works because we pay attention to the customer," says Richard Berry, director of the Direct Selling Association. "In that respect maybe the retailers could learn from us."

CONTRACTS & TENDERS

INTERNATIONAL PREQUALIFICATION NOTICE SUMMARY
EDITAL N 857–9–453–93

PETRÓLEO BRASILEIRO S.A. – PETROBRÁS intends to install, over a period of 540 days, 3 (three) MTBE (Methyl Tertiary Butyl Ether) units and invites interested companies to participate in the international prequalification process, which will precede the bidding for supply, on a turnkey basis, of the above referred units and their connections with the existing facilities, in accordance with the following conditions:

a) Location:
1 (one) unit of 95,000 tons/year at Paulinia Refinery – REPLAN (Paulinia, state of São Paulo);
1 (one) unit of 65,000 tons/year at Henrique Laje Refinery – REVAP (São Jose dos Campos, state of São Paulo);
1 (one) unit of 60,000 tons/year at Duque de Caxias Refinery – REDUC (Duque de Caxias, state of Rio de Janeiro);
b) Prospective bidders shall submit a full financing proposal during the bidding phase for the installation of the units and their connections with the existing facilities;
c) Participants: Brazilian or foreign companies, or joint ventures made up of two or more companies;
d) Technology: Proposals based on a technology owned by PETROBRAS or by the bidder itself may be submitted.

Interested companies/joint ventures may purchase the Prequalification Documents by presenting a Banco do Brasil S.A. deposit slip for sum in cruzeiros corresponding to US$1,000.00 (one thousand American dollars), credited to *PETROBRAS ADM. CENTRAL*, current account number 377.100–8, Central Office (Agencia Centro) – Rio de Janeiro, Brazil (code 0001–9), or consult the documents at no expense at the following address:

PETROLEO BRASILEIRO S.A. – PETROBRAS
SERVICO DE ENGENHARIA – SEGEN
RODOVIA WASHINGTON LUIZ, K.M. 113.7
DUQUE DE CAXIAS – RJ – BRAZIL
PHONE: (021) 773-2929 OR (021) 773-2668
FAX: (021) 262-9133 OR (021) 776-1290
REF: PREQUALIFICATION NOTICE N 857–9–453–93
Attn: PREQUALIFACATION COMMITTEE COORDINATOR

The bank deposit slip must make reference to Prequalification Notice number 857–9–453–93.
Deadline for solicitation of the Prequalification Documents: March 30, 1993.
Upon submission of the bank deposit slip, in order to receive the Prequalification Documents, bidders shall inform their company's full name, address and fax number.

COMPANY NOTICE

LEUMI INTERNATIONAL INVESTMENTS N.V.
US $75.000.000 GUARANTEED FLOATING RATES NOTES 1997 EXTENDABLE AT THE HOLDERS OPTION TO 2000

The interest rate applicable to the above Notes in respect of the interest rate period commencing 18th March 1993 has been fixed at 3¾% per annum. The interest amounting to US $187.29 per US $10.000 principal amount and to US $1872.92 per US $100.000 principal amount of the Notes will be paid on 20th September 1993 against presentation of coupon No. 6.

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ART GALLERIES

MARLBOROUGH FINE ART LTD 6 Albemarle Street, London W1 John Davies 'New Sculpture Until 30 April 1993. Mon-Fri 10am-5pm, Sat 10am-12.30pm, closed 9-12 April 1993 Tel. 071-629 5161

COLLECTOR'S PRINTS INC. BELLANY, Blackadder, Cooper, Frist, Gross, Kill, Rego, Rothenstein and Trevelyan until 20 April at Bohun Gallery. 15 Reading Road, Henley, Oxon. Tel: 049 576228.

TECHNOLOGY

High blood pressure treatments are working so well that scientists are looking beyond traditional cures, writes **Clive Cookson** in a series on drug discoveries

Ups and downs of hypertension

Drugs to bring down high blood pressure are one of the great successes of pharmaceutical research.

Over the past decade the industry has given doctors dozens of new drugs to treat hypertension – the medical name for the condition – by several different mechanisms. Their sales are worth more than $10bn (£7bn) a year, three times as much as the total market for cancer drugs.

"The treatment of hypertension is very good now and the side effects are minor," says Desmond Julian, medical director of the British Heart Foundation, "and because there is a range of drugs, you can normally find one to suit any particular patient."

In industrialised countries, 15 to 20 per cent of the adult population has high blood pressure. Julian says patients with mild or moderate hypertension should not be put on drugs straightaway; their doctors should urge them to make changes in diet and lifestyle.

But for the 5 per cent of people with severe hypertension, drugs are usually required to bring blood pressure down to a safe level.

Clinical trials have shown that the greatest benefit of hypertension treatment is a 40 per cent reduction in the risk of suffering a stroke, which is caused by the rupture of blood vessels in the brain. The effects on other forms of cardiovascular disease are less clear-cut; indeed there is still no statistical proof that lowering blood pressure cuts the risk of a fatal heart attack.

The four main categories of anti-hypertensive drug, in order of increasing novelty and price, are:

● Diuretics, which reduce the volume of blood by increasing the flow of urine from the body. A secondary effect is to open up small arteries by removing sodium. Most diuretics are cheap off-patent drugs.

Competition is fierce not only between the different classes of medicine but also within each class

● Beta-blockers, which slow down the heart beat, particularly during exercise and emotional stress. ICI's Tenormin, the first blockbuster anti-hypertensive, recently lost its patent protection.

● Calcium channel blockers, which relax the blood vessels by blocking the flow of calcium ions into the surrounding muscles. Patents are also expiring on the first group of calcium blockers introduced in the mid 1970s such as Bayer's Adalat.

● ACE inhibitors, which block angiotensin converting enzyme (ACE). This prevents the formation of angiotensin II, a potent constrictor of blood vessels. The pioneering ACE inhibitor, Bristol-Myers Squibb's Capoten launched in 1981, has recently been overtaken by Merck's Vasotec, now the world's best-selling heart drug.

Faced with such a wide selection of drugs, how does a doctor find the best one for each patient? According to Julian: "for the majority of people it's a matter of trial and error. It's quite arbitrary which drug you start out with".

The treatment of hypertension varies considerably from country to country. In the cost-conscious UK, normal practice is to start the patient on a cheap diuretic or beta-blocker and, if the response is unsatisfactory, move to a more expensive drug. In the US, a doctor is more likely to prescribe a calcium blocker or ACE inhibitor as first-line therapy.

In an attempt to gather more information about the long-term effect of different therapies, two large-scale clinical comparisons are planned: one in Europe to be organised by Peter Sever of St Mary's Hospital, London, on behalf of the British Hypertension Society; and one in the US, sponsored by the National Heart, Blood and Lung Institute.

Each trial will cost at least £35m and will involve 30,000 people with high blood pressure who will be treated for five years with either a diuretic, an ACE inhibitor or a calcium channel blocker. The results should show ifthe premium prices charged for the new drugs are justified by superior performance, not only in lowering blood pressure but in reducing deaths from heart attacks and other cardiovascular disease.

The trials may confound expectations and show that diuretics give as many benefits as ACE inhibitors and calcium blockers, in the same way as the recent Isis-3 mega-comparison of heart attack treatments undermined sales of the expensive new clot-busters tPA and Eminase by showing that cheap old streptokinase was just as effective.

Until comparative clinical data become available, sales of competing hypertension drugs will depend, above all, on the marketing skills of their manufacturers. There is fierce competition not only between the different classes of medicine but also within each class.

Indeed, the ACE inhibitor sector is the best example today of "me too" development in the pharmaceutical industry. Tom McKillop, technical director of Zeneca Pharmaceuticals (soon to be spun off from ICI), says ACE inhibitors are a very unusual sector of the drugs market because there is strong competition between several patented products. This is exerting a downward pressure on prices, similar to that introduced by generic (off-patent) drugs in more mature sectors.

"The ultimate anti-hypertensive has not yet been found," says Claes Wilhelmsson, research director of Astra, Sweden's largest pharmaceutical company. "But we have stopped all our research on traditional hypertension drugs."

There are so many products on the market that bring down blood pressure safely and effectively that no company is trying to produce new ones, says Jürgen Reden, research director of Germany's Hoechst. "We are looking now for drugs that do something more than reducing blood pressure – for example producing a protective effect on the cardiac muscle and avoiding chronic cardiovascular disease."

ACE inhibitors show some beneficial side-effects, beyond controlling hypertension. They seem to have some protective effect on kidney function and to improve the general condition of blood vessels.

Companies with cardiovascular research programmes are therefore exploring ways to intervene elsewhere in the metabolic pathways that control blood pressure and heart function, such as the renin-angiotensin system and the kallikrein-kinin system. For example, Jürgen Drews, research director of Switzerland's Roche, says his company is investigating a new class of renin inhibitors which would act at the very beginning of the process that leads to high blood pressure.

The overall aim of such research, according to Reden, is "all-round protection of the heart, by keeping the blood vessel walls clean and in good condition".

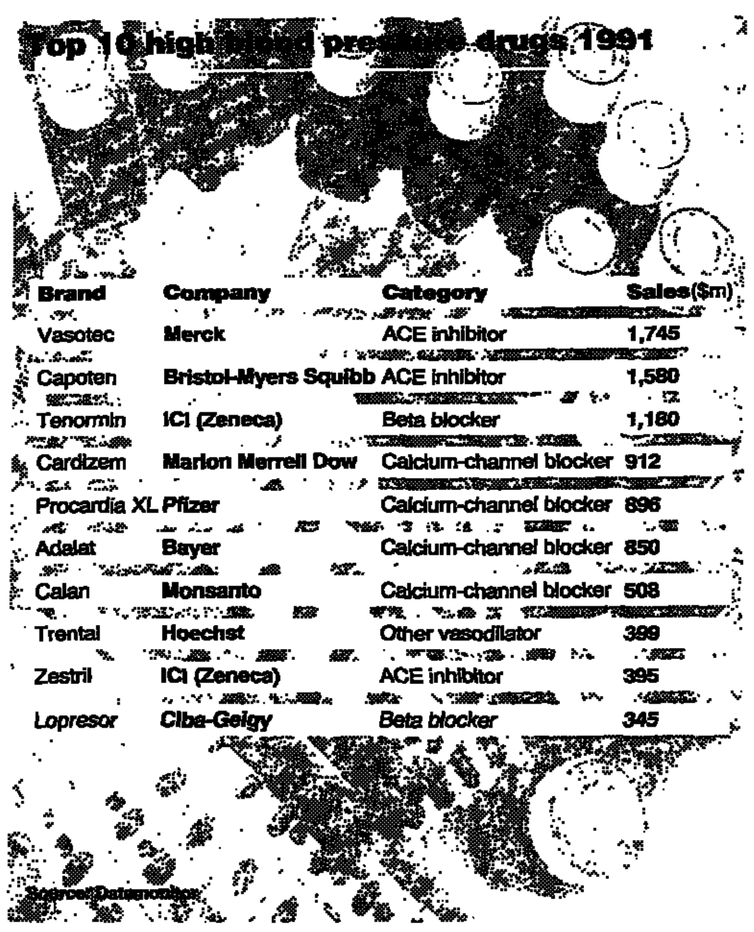
High blood pressure results from the interplay of multiple genetic and environmental factors. A research finding of great long-term significance was announced last October; an academic team from France and the US, headed by Jean-Marc Lalouel of the University of Utah, identified the first human gene linked to hypertension.

Variations in the angiotensinogen gene were found to be related to hypertension in families in Paris and Salt Lake City. It is believed to affect blood pressure by controlling the retention of salt in the body.

Scientists say at least four other genes – and perhaps as many as 20 – are likely to be involved in hypertension. As more are identified, it should be possible to develop genetic tests to identify people at risk – and perhaps eventually to think of correcting the genetic defects through gene therapy.

However, as Sever points out, high blood pressure is undoubtedly a disease of western civilisation. "Although the genetic link is an extremely important and interesting finding, remember that the environment you live in also controls your blood pressure," he says. "No one living in the African desert ever suffers from hypertension."

The series continues next month with a look at treatments for hay fever and other allergies.

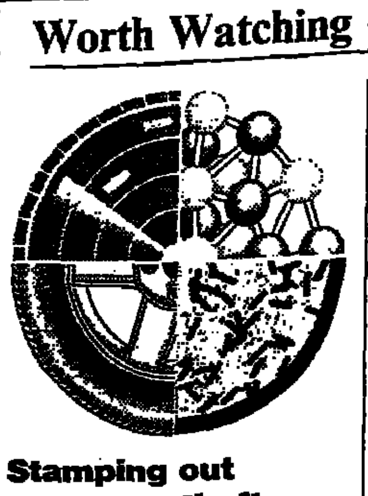


Top 10 high blood pressure drugs 1991

Brand	Company	Category	Sales($m)
Vasotec	Merck	ACE inhibitor	1,745
Capoten	Bristol-Myers Squibb	ACE inhibitor	1,580
Tenormin	ICI (Zeneca)	Beta blocker	1,180
Cardizem	Marion Merrell Dow	Calcium-channel blocker	912
Procardia XL	Pfizer	Calcium-channel blocker	896
Adalat	Bayer	Calcium-channel blocker	850
Calan	Monsanto	Calcium-channel blocker	508
Trental	Hoechst	Other vasodilator	399
Zestril	ICI (Zeneca)	ACE inhibitor	395
Lopresor	Ciba-Geigy	Beta blocker	345

Source: Datamonitor

Worth Watching · Della Bradshaw



Stamping out computer theft

Stealing personal computers is a growth business. In 1992 an estimated £60m-worth of PCs were stolen in Britain, not to mention the portable machines that were left on buses and aircraft.

To help ensure that machines which are recovered are returned to their rightful owners, Firstlok, of Steyning, West Sussex, has devised a software package that gives each PC a unique serial number which is registered on a central database.

The software is loaded into each Dos-based PC from a floppy disc. Every time the machine is subsequently switched on the serial number is displayed, together with the Firstlok database phone number where details of the owner can be found. The software also incorporates a password access control device. Firstlok: UK, 0903 879568.

Information on the fast track

Companies which shift large amounts of voice, data and video traffic between offices are now offered a more efficient way of sending the information – ATM (asynchronous transfer mode).

Whereas in the past large amounts of data had to be sent in parcels of pre-determined size, ATM enables data to be sent in the most effective way. So, video-conferencing could be allocated a pre-determined chunk of capacity on the line for the period the service was needed and then the other voice and data calls slotted in as needed.

Netcomm, of Basildon, has launched its DV2 ATM switch to allocate capacity on these large networks. The device will be sold in the US by Netcomm's partner, General Datacomm. Netcomm: UK, 0268 534228.

● PictureTel, of Boston, Massachusetts, has launched a low-cost, colour, video-conferencing terminal which can be wheeled from office to office and plugged in at any socket which offers ISDN business phone services. The units cost £15,680 each, and more sophisticated functions can be added at extra cost. PictureTel: US, 508 762 5000; UK, 0753 673000.

Making a live connection

Debt collectors, telemarketing agencies and the public utilities have at least one thing in common: they need to contact lists of consumers by telephone, be it to nag them, persuade them or even to warn them.

It is most frustrating when the number dialled is engaged, goes unanswered or is answered by an answering machine. But technology is now available to weed out these calls. Only when the system detects a live voice will it connect the call to the caller's headset. At the same time details of the person called – name, address and so on – appear on the operator's computer screen.

To help companies exploit the technology CMG, the IT management group, has launched Predics (predictive dialling consultancy service). Independent analysts believe predictive dialling can increase productivity by several hundred per cent. *CMG: UK, 071 976 0066.*

Word for word in Japan

Japanese commuters could soon find a new way of buying their railway tickets. Gone will be the man behind the counter and the push button ticket machine. In their place will be a computer which recognises spoken requests.

This is just one scenario envisaged by NEC for its voice recognition system which will be marketed in Japan this year. The machine can be programmed to recognise 1,000 words which are relevant to each particular application.

The machine uses a technique developed at NEC's media research laboratory in Kawasaki, called demi-syllable speech recognition. Each syllable is dissected and analysed. NEC: Japan, 03 3798 6520.

PEOPLE

Brian Walsh moves from GKN to TI

TI Group chairman Sir Christopher Lewinton has put the finishing touches to his new generation of managers with the hiring of Brian Walsh, GKN's finance director, to replace TI's own Michael Garner, who has been in the job for 14 years and wants a change. Garner, 55, already a member of the Accounting Standards Board, will play a larger role within that organisation.

"Michael pointed out to me that he had served seven years in two administrations and that he wanted to make a change, but within TI if possible. This gave me the opportunity to bring in a younger man, fitting in with the heads of the three operating divisions, who are all in their late 40s or early 50s," Lewinton said yesterday. The most recent recruit was Tony Edwards, formerly of Lucas, to head the Dowty division at TI.

As well as being the right age, TI also believes he understands the marketing business – very important to the Lewinton culture – having worked at two consumer goods companies. At Singer he was vice-president and director of finance and business planning between 1980 and 1982 and he then moved to General Foods, initially as assistant corporate controller and treasurer, and subsequently as finance director of the US grocery business. These five years in the US were also important in his selection, says Lewinton, who explains that 40 per cent of TI's business is in America.

City analysts, meanwhile, give Walsh high marks for his near six year spell at GKN, where he identified earlier than some of his peers the onset of recession and initiated tough cost-cutting measures.

Meanwhile, TI is looking forward to Garner, who remains an executive director, involving himself in a range of accounting issues of direct relevance to TI such as ACT, and the introduction of FRS3. "One of the problems of this country is that everyone stands in their separate corners – industry, government, the treasury," complains Lewinton. Under his stewardship, Mark Radcliffe was seconded from TI to set up the National Manufacturing Council at the CBI.

ASB chairman David Tweedie adds that with only two full-time members out of the nine board representatives, his operation is under-resourced – in contrast, for instance, to the American counterpart FASB which has seven full-time members. He sees Garner developing the contacts with industry for which he himself has insufficient time.

Non-executive directors

WH Smith

Michael Orr (above left), former head of investment banking at Merrill Lynch Europe, and Martin Taylor (right), chief executive and chairman-designate of Courtaulds Textiles, have joined the board of WH Smith, bringing the number of non-executive directors to eight. Stanley Honeyman, a chartered surveyor, retired last October.

Taylor, 40, who has forged a reputation as one of the better managers of his generation, says the attraction for him is "to get closer to the way a retailer thinks". A former journalist with the Financial Times, he says that at the moment he knows "about as much (about the sector) as the FT retailing correspondent".

He adds that WH Smith presents an unusual opportunity in so far as there is "no possible conflict of interest". Courtaulds would be suppliers to or in direct competition with the bulk of major retailing companies.

Orr, 55, was a senior director of SG Warburg before becoming finance director of Grand Metropolitan in 1981. In 1987, he left for Merrill Lynch, where he stayed for three years. He is now collecting an assortment of non-executive positions – he is chairman of Molins and on the board of Granada, Marston, Thompson & Evershed and Sketchley.

WH Smith was last week relegated from the FT-SE 100 index, its share price hit by heavy losses at its DIY joint venture Do-It-All as well as by concerns, unfounded in the event, that the budget would contain an announcement about VAT being extended to published matter.

Amstrad

Michael Beckett, the boardroom troubleshooter whose charges have included Tace and Ultramar, has been appointed as a non-executive director at Amstrad.

However Beckett, who once described himself as a "very independent" non-executive director, insists that his role at Amstrad will not be one of company doctor.

"I happen to think Amstrad is one of the great success stories in Britain," he says. "I am very much taken with Alan Sugar's attitude to the future; I think the company can do great things."

Beckett is Amstrad's second non-executive appointment. Last month the consumer electronics company appointed Jeoff Samson, a former senior GEC executive, following Alan Sugar's promise during his unsuccessful share buy-back attempt in December to appoint two non-executive directors to the board.

Yesterday Amstrad said the board has decided to pass responsibility for the selection of a possible third non-executive to Beckett and Samson.

Beckett, aged 56, is an ex-managing director of Consolidated Gold Fields. He was a non-executive at RHM until last year and is deputy chairman at Watts, Blake, Bearne, and chairman designate at Horace Clarkson.

Yorkshire Food

Yorkshire Food Group, the Bradford-based food processor which was successfully floated this month, has enhanced its already strong Yorkshire identity by appointing as a non-executive director Sir Marcus Fox, the Conservative MP for Shipley who chairs the backbench 1922 committee.

Mike Firth, 46, the company's forceful chairman, says he was eight years old when he heard the future Tory MP being praised by his father, who worked with him on Dewsbury council. He says of Sir Marcus: "He's a great Yorkshireman, who is obviously well connected as chairman of the 1922. That's obviously useful, as food can be a bit of a political football."

But the chairman says the main reason for appointing the blunt-speaking Sir Marcus was to help to guide the board, which has ambitious expansion plans: "If you want putting in line, you want people who can do it."

Yorkshire Food expanded through buying from Berisford International businesses which process dried fruit and nuts. Its shares started trading at 110p on March 9, valuing the group at £37.5m, and have since risen to 132p.

Sir Marcus, 65, last month became a non-executive director of Illingworth Morris, the wool and fibre processors.

Birkdale's triumvirate shrinks

In May 1992 the UK advertising world was set abuzz by news that Richard Humphreys was joining the Birkdale Group, a tiny collection of advertising, PR and other marketing agencies with a £3m market capitalisation. Humphreys had just left Saatchi and Saatchi Worldwide where he was president and chief executive; the contrast spoke for itself.

Now it seems that Humphreys is feeling the constraints of Birkdale, for it has announced that he is stepping down as chief executive. Humphreys will stay as an executive director but is also joining "a consortium of investors which plans to acquire a substantial holding in a US-based international advertising group", an ambitious-sounding project not too dissimilar from the type of thing he gave as his reasons for joining Birkdale in the first place.

At the same time, Simeon Galpert, one-time treasurer with WPP, is leaving his post as Birkdale's finance director to "pursue other interests".

Of the triumvirate who hoped to make a substantial acquisition and put Birkdale back on the map, only Neil McClure is staying – as chief executive once more.

McClure is putting a brave face on the proceedings; but it is hardly reassuring for shareholders to see the departure of two of the would-be architects of the group's planned resurgence.

Cinema/**Nigel Andrews**

Disappearing famously

HOFFA (15)
Danny DeVito

CANDYMAN (18)
Bernard Rose

CRUSH (15)
Alison MacLean

SOUNDS AND SILENTS

I am twenty minutes into *Hoffa*, the David Mamet-scripted bio-epic about the controversial American union leader who "vanished" mysteriously in 1975, and already my mind feels like Jack Nicholson's make-up. Wodges of mental putty seem to prevent the air getting to my brain-cells. When I move my head, it is weighed down by the world's stresses. And I seem to be hearing voices from another epoch: the monotone snap-crackle-platitudes of Warner Brothers bio-pictures of the 1930s and '40s.

After *JFK* and *Malcolm X* here is another attempt by American film-makers to process recent history into a Virtual Reality helmet. You put it on and it feels as snug as the face-puffing prosthesis sported by Mr Nicholson. And you are *right there*, insists the film, as the young Hoffa pummels America's grumbling pre-war truckers into the close-knit Teamsters Union. You feel the terror of Armand Assante's hot breath and Italian accent as our fund-seeking hero beds down with the Mafia. You are there with the TV cameras watching Hoffa row with Attorney General Robert Kennedy, played with cowlick and stammering nasal twang by Kevin Anderson. And you watch the growing friendship between Hoffa/Nicholson and co-star Danny DeVito, who directs the film as well as playing his fictional best friend, Sancho Panza to the American labour leader's Don Quixote.

Make that Jiminy Cricket to his Pinocchio. For history, if not screenwriter Mamet, claims that Hoffa, who famously disappeared in 1975 and is now presumed to be part of the New Jersey Turnpike (courtesy of Cosa Nostra Building And Interment Services), was not above lying, bribing, conniving and embezzling. But instead of his nose getting longer, his chutzpah did. His hatred of the Kennedys exceeded even Malcolm X's. He bullied where he could not persuade. He put his hand in the till of Organised Crime. Finally, when America could stand no more, he was shoved in jail. Several years later he was freed by Nixon – it takes one to pardon one – and after a few years of impotent railing at the usurpation of his union by ex-comrades he vanished into legend.

The real Hoffa was last seen at a roadside diner outside Detroit. This allows Mamet and DeVito to sculpt their best scenes from Hitchcockian surmise. These open, close and punctuate the movie: Nicholson and DeVito in a waiting roadster; suspicious chap in diner; final flurry of guns, blood and Mafia removal van.

The rest of the film, alas, consists of large, congealed chunks of flashback. As in *Chaplin*, the use of a retrospective framing device does not so much "shape" the story as chill and distance it. *Hoffa* becomes a two-and-a-quarter-hour trip through Memory Mausoleum. Doubly removed by the "frame" of the movie screen and the "frame" of the I-remember roadside scenes, the long narrative tableaux become dull with historical ineluctability and dubious reverence.

Even when Mamet is frank enough to admit that Hoffa could be nasty when crossed – blowing up a warehouse, sending a set of unidentified severed genitalia to a newspaper editor – the film never quite escapes its woofly piety. For one thing, the screenwriter never concedes that if Hoffa sold his soul it might have been (as many believe) to line his *own* pockets as much as his union's. For another the violence, verbal and actual, is delivered by Jack Nicholson, a man who exudes charisma even while standing still with a latex-paralysed face reciting make-my-day threats.

The film is a soapbox masquerading as a cinema experience. Worst of all are the would-be epic scenes of They-versus-Us confrontation in streets or factory yards. Here, just as the soundtrack's initial splats and crunches are slowly drowned by uplifting music, the particular brutalities of mob violence are engulfed by the inspirational-generic. Note the way the camera cranes celestially upward to turn a fracas into a heroic fresco.

So the cinema of holy revisionism marches on, building its gallery of saints and martyrs. No doubt the next blockbusting bio-pic will be about that warm reformer, union organiser and family man Al Capone. He did after all create wealth, establish a fraternity of hardworking entrepreneurs and help supply a needy nation with previously inaccessible beverages. Jack Nicholson and David Mamet, strap on your hagiographic harnesses again...

*

If you look in a mirror five times and say "Candyman", claims the film of that title, a tall man with a hook for a hand will materialise and disembowel you. I have just tried this in my bathroom, urged on by intellectual curiosity, and it failed to work. Should one ask for one's money back?

One should perhaps ask for it back anyway. Clive Barker wrote the original story, *The Forbidden*, from which writer-director Bernard Rose (*Paperhouse*, *Chicago Joe And The Showgirl*) has fashioned this screamer that fails to scream. First reason: the film runs out of plot after half an hour, by which time we know all we will know – certainly all we will want to know – about the ghostly gentleman with the limited repertoire of sadism and the background as a murder victim who fell foul of a lynch-mob back in 1890. Not to mention the Ph.D-writing heroine (Virginia Madsen) and her limited range of spooked expressions.

Reason two: no one has any reason for doing the things they do. Why did the murderers of the original Candyman, a black artist who made a white girl pregnant, use such an odd combination of brutalities? (Hand-lopping followed by honey-bees). Why does Candyman return to terrorise a Chicago slum tenement? Why does Miss Madsen want to write a life-endangering Ph.D? Why do girl and ghoul end up tussling with each other inside a giant bonfire? (Answer to this one: the Guy Fawkes climax to the English story has been transferred to America and lost all meaning).

A shame after the creepy first half-hour. Here the director tries out his celestial camera angles, turning Chicago into a bird's-eye maze, and the dialogue's Gothic nihilism still has novelty value ("What's blood for if not for spilling?"). But as with many horror films, once the explanations and elaborations begin, fear jumps up, asks for its hat and vanishes to another hunting-ground.

*

I find I wrote two short notes on the back of my press hand-out for Alison MacLean's *Crush*: "Rilke" and "Bubbling mud-pools behind credits." Weird scenery and poetic attitudinising are the chief characteristics of this New Zealand psychodrama. It begins with a bang – a car crash, leaving one healthy survivor (Marcia Gay Harden) and one soon-to-be-embittered cripple (Donogh Rees) – and then spirals into a tale of jealousy, revenge, Rilke-quoting and the go-between antics of a young girl (Caitlin Bossley) who engineers the final death duel in lovely, scenic Rotorua.

Debut features from undernourished movie cultures are always welcome. But this one resembles an Antonioni movie hit over the head with a rolled-up New Zealand travel poster. Nothing convinces us, therefore nothing moves us. And the three main characters are skeletally drawn and schematically scripted. When one of them plunged to her death down a waterfall-ribboned chasm, I found myself admiring the palm trees and wondering about the cost of return flights to Auckland.

The week's best film experience may not be in a cinema at all. *Sounds And Silents* is a three-day event celebrating the art of film composing from early music by Satie and Saint-Saëns to an exciting new score by Jonathan Lloyd for Hitchcock's reissued silent classic *Blackmail*. Queen Elizabeth Hall, starting tonight with *Blackmail*; get busy if you want tickets.

A latex-paralysed Jack Nicholson plays Hoffa

Colin Firth and Jemma Redgrave

Alastair Muir

Theatre/**Alastair Macaulay**

Flawed 'Chatsky'

There is a particular excitement in encountering a little-known classic; and there is an extra buzz when it has been re-translated by Anthony Burgess. Though the playwright, Alexander Griboyedov (1795-1829), is hardly a household name, *Gore ot Uma* (or *Woe for Wit*) is his best-known play; Burgess has re-named it after its protagonist, Chatsky, and has given it a Wildean subtitle: *The Importance of Being Stupid*. Everything about it is interesting, and I am glad to have made its acquaintance. But I find its performance flawed and was often irritated by the intrusive cleverness of Burgess's translation.

Chatsky, returning from years of travel and surveying petty Russian society, has much about him of Pushkin's Eugene Onegin – Byronic glamour, polish, disdain. He is a doomed Romantic in his liberal ideals, his devotion to literature, and his love for Sophie. Doomed, because petty Russian society cannot be doing with such loftiness, and because Sophie has committed herself in his absence to the perfidious Molchalin (an ambitious creep who, behind her back, pursues her maid Liza). Funnily, then bitterly, the play depicts the particularly Russian (*poshlust*) brand of philistinism that would later earn the attention of authors from Gogol to Nabokov.

What the textbooks praise as "the naturalism and pithiness of Griboyedov's dialogue" is *sometimes* present in Burgess's version – as when Chatsky, reproaching Sophie, says "But the past doesn't die. Alive in me, I thought it was alive in you." Or when a minor character bleakly remarks to nobody in particular "I'm getting bored with this same old pantomime, acting the happy husband."

But when Chatsky talks of someone's "debilitous intellection" and says "His brain is just an etiolated grub in an inedible apple," though we chortle, he becomes as remote from us as from everyone else onstage. And then there is Burgess's clever-clogs use of rhyming pentameters. When a word like "Fractions" suddenly looms out for no good reason, you know you have to wait till, at the end of the next line, you get clobbered by "Actions." Sophie says "-ish" (very 20th-century Brit) so that "dish" can come chiming in. Behind this kind of flashy parlance, Chatsky and 19th-century Russia grow dim.

Colin Firth, dressed as if he had stepped straight out of Géricault, is a pale, sardonic, unaffected Chatsky, and he circumnavigates the rhymes to marvellously natural effect. All he lacks is the heroic blaze of Romantic isolation. But when he describes Sophie as having "no sense of humour," I did not recognise Jemma Redgrave. Her Sophie, played with numerous tiny actorly effects of the eyes and voice, is awfully reasonable. She has no cruelty, no perfidy. Just a nice girl in a tricky situation, she is so fake-earnest that even her beauty becomes dull.

As her father Famusov, the play's most blatant philistine and hypocrite, Dinsdale Landen gives a performance exactly in tune with Burgess's translation: robust, rosy, ranting, roaring, rasping. He rattles off three sentences in a single breath, then draws out a single syllable to extortionate lengths. His eyes gleam, he is all provincial force and energy. Here is busy Character Acting with a vengeance. (A pity so many of his consonants are muzzy.) Jane Freeman, Rosalind Knight, and Murray Melvin give less obtrusive performances that do more to bring this petty, snobbish world to life.

In short, several different acting styles are at work here, and the director, Jonathan Kent, has not fused them into a single convincing stage world. Tim Hatley's several sets, claustrophobic and surreal, exaggerate the bizarrerie of Griboyedov's satire. This production has turned *Woe for Wit* into *Chatsky* without making it live as a play.

At the Almeida Theatre until April 24; then on a 6-week National Tour. Sponsored by AT&T; OnStage

Sherlock Holmes: The Musical

In 1887, Dr Arthur Conan Doyle (1859-1930) wrote the first of 56 "Sherlock Holmes" stories. This provided motive and opportunity for Ellie Norwood, Basil Rathbone and Jeremy Brett to play the tweedy sleuth. Now, Holmes has become a singing detective in Leslie Bricusse's *Sherlock Holmes: The Musical* at the Bristol Old Vic.

The scene opens at the Reichenbach Falls. Holmes surfaces again near Victoria. But with Moriarty dead, Holmes is bored to distraction in retirement. However, the King Charles spaniel thefts from the Duchesses Monmouth, Richmond, Argyl and Tyneside signal Moriarty's survival. But this Moriarty is 1890s New Woman Ms Bella Moriarty, with whom Holmes promptly falls in love. His hormones corrode his judgment, and he finds himself framed for murder. The barge-footed Lestrade of the Yard arrests him, and even the woolly Dr Watson threatens to doubt.

Bricusse has done much better work than this, most recently songs for the films *Home Alone* and *Hook*. *Holmes* lacks sophistication. The key is the *absence* of the dog that did not bark (in "Silver Blaze"); the musical misses the complexities of Doyle's forensic style, and never hits on a musical style to convey the dry wit of Doyle's stories.

The dialogue keeps up some acquaintance with traditional Sherlockiana, as in "This is a three-pipe problem" and "the little things are infinitely the most important." But the setting needs to change. Around Baker Street, a jolly cockney chorus is trapped in *Mary Poppins* chimberley-sweep vision of London: "It's a bleedin' garden of Eden" they sing, before the rhyming slang number, "Apples 'n' Pears."

The songs are never complex enough, content to describe rather than move the action forward. Stephen Sondheim's 19th-century crime musical, *Sweeney Todd* fills the songs themselves with suspense: "The demon barber of Fleet ... *pause* ... Street." But here, as the show eases into its songs, lulling strings and a high wistful oboe signal an emotional number, while a jolly plucked bass and wire brushes mean a singalong character tune. The music itself fails to surprise.

However, the show does have some spikey, atmospheric recitative signalling Moriarty's return, and a fine complaint from the Landlady at 221B, Mrs Hudson, with – for 1893 London – the anachronistic "A Lousy Life". Other highlights are "Men Like You" sung by Bella at Holmes, and a reminiscence number called "Halcyon Days" sung by Dr Watson and his old pal Boffy in the police morgue.

Robert Powell as an imperious Holmes strikes a superior tone with Roy Barraclough's excellent Watson, all slow wits and campaign memories. Alongside them, Louise English as Bella Moriarty and Sarah Hay as Mrs Hudson add scope and depth. The ensemble scenes are sharply choreographed by Tudor Davies, and Bob Tomson's direction keeps the action flowing through Mick Bearwish's versatile London set.

Andrew St George

Bristol Old Vic until April 10

Concert/**Andrew Clements**

Towards the Millennium

Like all the best concepts "Towards the Millennium" is proving to be simple in principle, endlessly fascinating in its working out. As this rolling festival sweeps through the 20th century, sampling a decade at a time, it cuts across the intertwining lines of development that make up the texture of music history. If anything was designed to belie the outmoded view of musical evolution as a strictly linear process, in which X leads to Y and then on to Z, it is this strictly chronological perspective, which throws up all kinds of historical juxtapositions and short circuits.

Monday's programme at the Royal Festival Hall, conducted by Simon Rattle with the London Sinfonietta and its Voices and Chorus, brought together a clutch of folk-tinged works from the 1920s – Bartók's *Village Scenes*, Janáček's *Rikadla*, Villa-Lobos' third *Choros*, Vaughan Williams's *Flos Campi*, Stravinsky's *Les Noces*. Far from proving that in the Twenties the forces of modernism suddenly dived for the comforting cover of the folk tradition the concert showed how different strands of music could moved together almost arbitrarily, only to diverge again almost immediately.

As a showcase of styles and of vocal and instrumental virtuosity it was a great success too, carefully graded to begin with the faithful replications of the Bartók, played and sung with wonderful pungency by the Sinfonietta forces, and to move neatly into the Janáček nursery rhymes, even though their discontinuity was not aided by Rattle's decision to respect the composer's wishes and to read the texts of each rhyme before it was delivered. The Vaughan Williams appeared as the culmination of this progressive distancing of musical invention from source material. The folksy background to *Flos Campi* comes to seem increasingly remote and almost spurious, though the rapturous eloquence of Paul Silverthorne's solo viola and the sheer sensuousness of many of the textures was never in doubt.

After that *Les Noces* was honestly bracing, fresh and startlingly original. Almost any work of the 1920s (*Wozzeck* excepted) would be hard to set against Stravinsky's masterpiece; in this context its ability to make the folk material uniquely its own seemed quite extraordinary. Rattle concentrated throughout on precision and textural clarity; a little more freedom, more hedonism, was needed to make the performance comprehensively definitive.

INTERNATIONAL
ARTS GUIDE

ATHENS

Concert Hall Tomorrow: staged performance of Cavalleria Rusticana conducted by Marc Soustrot, with Marina Krilovici as Santuzza. Sat, Sun, Mon: Alexander Myrat conducts La Camerata in works by Pärt, Shostakovich and Britten. Tues: Elizabeth Vidal song recital. Next Wed: Salvatore Accardo, accompanied by Dmitri Sgouros, plays violin sonatas by Schumann and Strauss. Next Thurs and Sat: concert performance of Rigoletto. March 29: Samuel Ramey song recital (722 5511)

BARCELONA

Gran Teatre del Liceu Tomorrow, Sat, next Tues and Wed: Uwe Mund conducts Nuria Espert's production of Carmen, with alternating casts including Kathleen Kuhlmann and Neil Shicoff (412 3532). Tues at Palau de la Musica: Il Fondamento Orchestra and Chorus in music by Bach (268 1000)
Mercat de les Flors Compania Nacional de Teatro Clásico presents Cervantes' La Gran Sultana, directed by Adolfo Marsillach. Daily till March 28 (318 8599)

BOLOGNA

Teatro Communale Mon: Lindsay String Quartet. Tues: Roberto Abbado conducts first night of Lamberto Puggelli's Milan production of Adriana Lecouvreur, with Mirella Freni and Peter Dvorsky. Seven performances till April 9 (529999)

FLORENCE

Teatro Communale Tonight, Sat, Sun afternoon, next Tues: Bruno Campanella conducts the Ponnelle/Milan production of La Cenerentola, with alternating casts including Raul Gimenez, Claudio Desderi, Gino Quilico and Jennifer Larmore. Runs till March 28 (277 9236)

GENOA

Teatro Carlo Felice Tonight, tomorrow, Sat afternoon and evening, Sun afternoon: Balletto di Toscano in Fabrizio Monteverde's production of Prokofiev's Romeo and Juliet. Next opera production: Turandot opening on April 16 (589329)

LONDON

THEATRE

● The Deep Blue Sea: Terence Rattigan's study of obsession and the destructive power of love. A West End transfer of Karel Reisz's Almeida production, opening tonight (Apollo 071-494 5070)
● The Importance of Being Earnest: Maggie Smith as Lady Bracknell in a star-studded production of Oscar Wilde's most popular comedy. Directed by Nicholas Hytner (Aldwych 071-836 6404)
● Playland: Athol Fugard's play about the changes in South Africa, with a cast including members of Johannesburg's Market Theatre. Till April 17 (Donmar Warehouse 071-867 1150)
● An Inspector Calls: Stephen Daldry's radical expressionist reappraisal of Priestley's psychological thriller (National Olivier 071-928 2252)

OPERA/DANCE

Covent Garden The main event over the coming week is the first night next Wed of Antoine Vitz's production of Pelleas et Mélisande, conducted by Claudio Abbado and designed by Yannis Kokkos, with a cast led by Frederica von Stade, François Le Roux and Ruggero Raimondi (in repertory till April 8). Tomorrow: Sleeping Beauty with Sylvie Guillem. Sat, Mon and next Thurs: Colin Davis conducts Harry Kupfer's new production of La Damnation de Faust, with Olga Borodina, Jerry Hadley and Samuel Ramey (071-240 1066)
Coliseum ENO has a new double bill opening on Sat: The Duel of Tancredi and Clorinda (Monteverdi) and Duke Bluebeard's Castle (Bartok), conducted by Harry Bicket and Adam Fischer, staged by David Alden, designed by Nigel Lowery, with a cast including Patricia Rozario (Clorinda), Gwynne Howell (Bluebeard) and Sally Burgess (Judith). In repertory for the next two weeks with Don Pasquale and The Mikado (071-836 3161)
Sadler's Wells Tomorrow and Sat: Ute Lemper, new concert show featuring songs of Piaf and Dietrich. March 25-April 3: Rudra Béjart Lausanne (071-278 8916)

CONCERTS

South Bank Centre Tonight: Mariss Jansons conducts LPO in works by Debussy, Prokofiev and Dvorak, with piano soloist Andrei Gavrilov. Tomorrow: Kathleen Battle song recital. Sat: Giulini conducts the Philharmonia. Sun: Jansons conducts Schoenberg, Shostakovich and Strauss. Mon: James Blair conducts YMSO in Vaughan Williams' Sea Symphony. Tues: Neville Marriner conducts ASMF and Chorus in Mozart's Mass in C minor. Tues in QE Hall: Harry Christophers conducts The Sixteen Choir and Orchestra in Handel's Israel in Egypt. Wed: Herbert Blomstedt conducts San Francisco Symphony Orchestra in works by John Harbison and Bruckner. Next Wed in QE Hall: Carmina Quartet and Mitsuko Uchida. Next Thurs: Brendel plays Schumann's Piano Concerto (071-928 8800)
Barbican Tonight: Mstislav Rostropovich gives world premiere of Robert Saxton's new Cello Concerto and is also soloist in Britten's Cello Symphony, in an LSO concert conducted by Oliver Knussen. Tomorrow and Tues: Andrew Davis conducts BBCSO in Beethoven and Tippett. Mon: Jeffrey Tate conducts ECO in works by Copland, Barber, Britten and Ives, with soprano Roberta Alexander (071-638 8891)

MADRID

Auditorio Nacional de Musica Tomorrow, Sat, Sun: David Parry conducts Spanish National Orchestra and Chorus in Castelnuovo-Tedesco's First Guitar Concerto (Ernesto Bitetti) and Britten's Spring Symphony, with soloists including Joan Rodgers and Nigel Robson. Next Tues and Thurs: Trio Verdehr de Michingan play chamber music by Mozart, Dvorak, von Einem and others. April 1, 2, 3: New York Philharmonic Orchestra (337 0100)

MILAN

Teatro alla Scala Tonight, tomorrow and Sat: final performances of the Strehler production of Don Giovanni, with alternating casts including William Shimell, Carol Vaness and Cecilia Bartoli. Mon: Zubin Mehta conducts Israel Philharmonic Orchestra. March 29: Wolfgang Sawallisch conducts Orchestra of La Scala (7200 3744)

PRAGUE

CONCERTS

● Sat in Smetana Hall: Kvita Bilynska plays piano works by Busoni, Mozart, Franck and Rakhmaninov. Sun: Bohdan Warchal directs Slovak Chamber Orchestra in works by Vivaldi and Schubert. Tues and Wed: Yan Pascal Tortelier conducts Prague Symphony Orchestra in Debussy, Brahms and Sibelius (232 2501)
● Tues and Wed in Dvorak Hall: Wolfgang Sawallisch conducts Czech Philharmonic Orchestra in Dvorak's Slavonic Dances (286 0111)

OPERA

● National Theatre has Katya Kabanova tonight, Don Carlo tomorrow, Rusalka on Sat and La boheme on Tues (205364). Estates Theatre has performances of Don Giovanni on March 26, 29, 31 (228658)

ROME

Teatro Olimpico Tonight: Kronos Quartet play works by Oswald and Glass. Next Thurs: Fone and Di Fiesole Quartets (323 4890)
Teatro dell'Opera Tonight and Sun: Mayerling, new opera by Barbara Giuranna. Mon: song recital by Daniela Dessi and Giuseppe Sabbatini. Next Wed: first of five performances of Roland Petit's ballet Proust. (481 7003)

TURIN

Teatro Regio Tues: Alfred Eschwé conducts first night of Jerome Savary's Geneva production of Die Fledermaus, with Patrick Raftery. Eight performances, with changing casts, till April 4 (8815 214)

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Sky News: Financial Times Reports 2030; 0130

FRIDAY
Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530

SATURDAY
Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230

SUNDAY
Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Regional rewards of civic tradition

BOOK REVIEW

Here is a book resolutely imbued with counter-cyclical character. Just as cart-loads of Italian politicians and businessmen are being arrested on suspicion of involvement in corruption scandals, along comes a lengthy study examining and, in many cases, upholding Italy's credentials as a paradigm of democratic society.

MAKING DEMOCRACY WORK
Civic Traditions in Modern Italy
By Robert D Putnam
Princeton University Press, $24.95. 258 pages

The author, a professor of government at Harvard, aided by two Italian academic collaborators, investigates the success of *Italian regional* institutions since reforms introducing decentralisation were implemented in the early 1970s.

This scholarly volume – proclaimed on the back cover as "beautifully and lucidly written" – *suffers from some* remarkable drawbacks, not least its use of the most richly ponderous form of American academic argot.

If the author constantly repeats some basic themes, often involving phrases of exemplary opacity such as "norms of reciprocity" and "vertical and clientistic networks", this may reflect his own doubts about whether readers are penetrating the maze.

The book draws its authority from extensive field-work over 20 years – "thousands of interviews with politicians, community leaders and ordinary citizens". Curiously, none is quoted by name, although the book is peppered with long extracts from the work of US political scientists.

Putnam makes occasional delicate reference to "patron-client relationships", but ducks the question of corruption as a source of inefficiency in economics and government.

Yet the book reaches three conclusions of significance, both within and beyond Italy. *First*, regions with the most flourishing economies tend to have the best-run, most responsive and most stable regional governments.

Second, this combination of public-sector effectiveness and positive economic performance is most evident in regions (particularly in north and north-central Italy) with the longest traditions of civic engagement. Putnam traces back to the 12th century evidence for his contention that "civics helps to explain economics, rather than the reverse".

Third, Italian regional reform, far from stabilising the country's cohesiveness, is undermining it. Regional reform, writes Putnam, "appears to be exacerbating, rather than mitigating, the disparities between north and south". He treats only sketchily the implications of the recent rise of the northern "*leagues*" *campaigning for* regional self-determination in areas such as Lombardy or Veneto. But the reforms, combined with public outrage over corruption, are creating pressures which could lead to a break-up of the Italian state.

Putnam's conclusions are both exciting and depressing. Exciting because, if the key to improving prosperity lies less in encouraging individualism, and more in promoting civic public-spiritedness, then governments everywhere might turn to the Italian model as a source of inspiration. Depressing, because the book postulates a form of fatalism determining which regions will fare well, and which will do badly.

In the US, this book will support the thesis that the self-help doctrines of Reagan*omics was ultimately* detrimental to the nation's economic fate. "History suggests that *both* states *and* markets operate more efficiently in civic settings," Putnam writes. This message might have emanated directly from Hope, Arkansas.

In Europe, Putnam's findings support the new-found emphasis of the European Community on "subsidiarity" – bringing government decision-making as close as possible to the people.

Yet the book also shows that simply increasing financial transfers to less well-off regions often has little effect in reducing regional imbalances.

At the end of the last century, "civic" northern Italy was more geared towards agriculture than the south, and had a smaller percentage of its workers in manufacturing. But *by 1911 the north boasted* incomes 50 per cent higher than the south. By the mid-1980s, for all the funds poured into the Mezzogiorno, the north-south income gap had widened to 80 per cent.

Between *1970 and 1988*, supremely civic Emilia-Romagna jumped from 45th to 17th place in a list of 80 EC regions ranked by gross domestic product per head. Calabria in the south – the least civic region – stayed *in last place*.

By providing evidence that Italian regions inherit their institutional performances from centuries of civic traditions, Putnam has provided a thesis with disturbing implica*tions, not only for Italy*. As one unnamed regional president in an "uncivic" region said to him: "This is a counsel of despair! You're telling me that nothing I can do will improve our prospects for success."

If this is a melancholy thought for Calabria, it is still more dispiriting for parts of the former Soviet Union and eastern Europe *burdened by* traditions of autocratic government pre-dating communism.

Conversely, Putnam provides hope for now-liberated countries where efforts to overcome the legacy of communism are helped by previous centuries of civic-minded pluralism – for instance, in Bohemia or the Baltic states. A sign of the longevity of pre-communist political and cultural traditions has already been seen in the for*mer Yugoslavia, as well as, less* disastrously, in the break-up of Czechoslovakia.

This week, the Italian prime minister has spoken of the risk that his country could split between north and south. In *Italy's current political confusion*, the regions' diverse traditions of civic responsibility, and the evident failure of a large part of the political elite to live up to them, are aggravating fissiparous tendencies. *It is to be hoped that these* pressures will not force Italy to the brink.

David Marsh

ECONOMIC VIEWPOINT

The wedge and gap in Budget

By Samuel Brittan

I do not want to spoil the party; but it is time someone pointed out that the *UK chancellor has* announced what is to all intents and purposes a one percentage point increase in the rate of income tax to come into effect in a year. He was able to escape the uproar that a straightforward announcement would have caused by taking advantage of the strange con*vention under which one part* of income tax is given the strange name "employee National Insurance Contribution".

On the main Budget strategy other commentators have followed my lead in calling it Augustinian; after the saint who prayed to be made virtu*ous, but not yet. The official* Treasury more prosaically describes the Budget, which imposes little extra taxation in the coming year, but which builds up to a £10.3bn revenue increase by 1995-96, as wedge-*shaped*.

I want, however, to concentrate not on the wedge but on the *gap* that emerges starkly from the Treasury's Budget Red Book. The projected growth of total spending measured by *nominal gross* domestic product is reasonably consistent with normal growth and declining inflation. The path is distorted downwards in 1993-94 and upwards in 1994-95 "because of timing effects asso*ciated with the fall in the* exchange rate". But the underlying movement is in the right direction.

I want to focus not on the wedge, but on the gap that emerges from the Red Book

What has, however, changed for the worse compared with last year's Red Book is the *division of the projected nomi*nal growth between real output and inflation. The projected increase in real output is now about one percentage point a year *less* for the next three years than the equivalent *path projected in the 1992 pre*-election Red Book.

On the other hand, inflation – despite being at historically low levels – is now projected on a higher path; and a decline is not expected until 1995-96. *The exit from the exchange* rate mechanism (ERM) has not been the costless joyride that the Europhobes have prematurely celebrated.

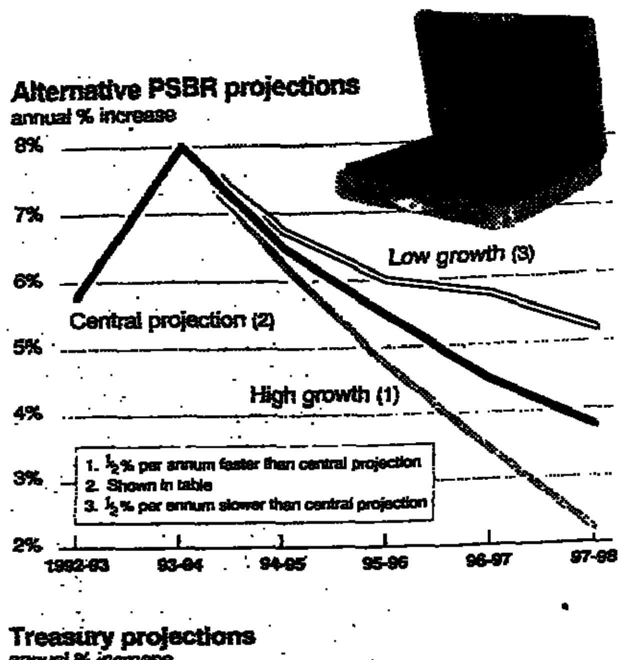
The output shortfall is the more worrying of the two. The chancellor seemed to assume in his Budget speech that any resumption of growth would make inroads on unemploy*ment and that it was* all a question of delays and lagging indicators. Not so.

There are two key concepts. The first is the *output gap*. This is an estimate of the degree to which increases in *demand can readily* be absorbed by producers without increasing inflation. (In its modern form it is not a pure physical measure. There could still be millions unemployed after the gap has been reduced *to zero.*) The size of the output gap has been estimated by the Bank of England to be in a very wide range between 2¼ per cent and 7 per cent of *GDP*.

The second important concept is *the growth of productive potential*. If actual output is growing faster than this, the output gap narrows and unemployment eventually drops. If output *is* growing more slowly, unemployment will increase. This will be so even if the chancellor is proclaiming "recovery". The process will then only be alleviated by wasteful methods such as pre*mature scrapping of equipment or forced* or voluntary retirement of workers from the labour force.

The growth of productive potential is estimated by the Treasury at 2¼ per cent a year; *but it could well be higher* owing to the resilience of productivity increases. If unemployment is to be reduced output will have to grow at least as fast as this. Otherwise we remain in a growth depression.

*Yet according to the Trea*sury's projections it is not until 1994-95 that non-North Sea output even starts to grow fast enough to make inroads into the output gap. Moreover, even if we take the lowest end of the Bank of *England* range for that output gap, it is not quite filled even by 1997-98, at least one year after the next election.



Treasury projections
annual % increase

	1992-93	93-94	94-95	95-96	96-97	97-98
Nominal GDP growth	3½	4¾	7	6½	5½	4¾
Real GDP growth						
Non-North Sea	–½	1½	2½	2¾	3	3
Total	—	2	2½	2¾	2¾	2¾
Inflation						
RPI excluding MIPs	3¾	3¾	3¾	3¼	2½	2
GDP deflator	3½	2¾	4¼	3¾	2½	2

Source: Red Book

Some will say that I am taking too seriously estimates, *which are only projections by* medium-ranking Treasury officials and are neither targets nor even forecasts. In the early 1980s, at the end of the last recession, the Treasury was *just as helplessly pessimistic about growth in the* later 1980s, which in the end turned out too fast for comfort.

In fact, the Treasury does have alternative projections, which assume that non-oil GDP will grow in the medium-term by ½ per cent *faster* and ½ per cent slower than its central projection. The only implications it shows in detail are those for the Budget deficit, which are startling enough.

On the central projection, *the public sector borrowing* requirement only drops to £30bn or 3¾ per cent of GDP by 1997-98, early in the next parliament. This is above the Maastricht limit of 3 per cent, but I suspect it would be sus*tainable – a matter on* which the promised separation of the government's capital and current accounts might shed light. The higher growth projection on the other hand, leaves the PSBR at 2¼ per cent of GDP, well *within Maastricht* guidelines.

The policy problems are brought out most startlingly by the low-growth projection. Here the PSBR falls only slightly, despite the projected tax increases and remains in 1997-98 at 5¼ per cent of GDP. This is about the same as in the *last* year of the Callaghan government.

What are the policy implica*tions*? Would we need ferocious cuts in spending and tax increases to reduce the Budget deficit to a sustainable rate? Or, on the contrary, would the deficit have to be allowed to run or even increase to stimulate spending in a slack economy? I would be interested in the views of informed readers, so long as they are typed, and they do not expect an individual reply.

It is symptomatic of the lack of progress of macroeconomics that a response anywhere between these opposites can be justified by qualified practitioners. Simply doing horrifying algebra on the explosion of debt interest is inadequate. For such sums normally assume that output is unaffected by *the deficit* or measures taken to curb or increase it.

In fact, the Budget is not just a replica of that of households and companies. On the contrary, it is reasonable for the public sector to spend more at *a time when* the private sector is hesitant to spend.

Of course, it would not make sense to pay out larger and larger sums of debt servicing at high interest rates to the people whose money the gov*ernment has* borrowed. If the long-term climate turns out to be deflationary rather than inflationary, it would be best to use fiscal policy as a shock absorber, and then concentrate on reducing interest rates.

Such a course would be difficult for Britain alone because of exchange rate implications. Some have said that the UK is in no *position* to take a lead in international economic policy, after the humiliation of its departure from the *ERM. The* present state of world economic leaders is such that anyone with ideas could take a lead.

It would however help if the British government did more to dispel the widespread Continental view that its main recovery strategy is competitive devaluation – a view I spend so much time trying to dispel on Continental visits. But to do so would involve saying more about sterling than the purely historical frightened sentences which appear in the *Red Book. Nor is British influ*ence helped by Norman Lamont's seizure of every opportunity to beat the patriotic tin drum for his backbenchers.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

DTI's significant role in promoting overseas trade

From Mr Richard Needham MP

Sir, I was interested to read the article about the Australian Trade Commission ("Trading with purpose", March 4), which asked the question: "Can trade promotion organisations really help?" I have no *doubt that the help given to* UK companies by the joint Department of Trade and Industry and Foreign and Commonwealth Office overseas trade services organisation plays a significant role in *improving access to overseas* markets and boosting UK exports.

Our staff overseas spend much of their time helping to bring overseas buyers and UK sellers together in one way or *another. They also spot* thousands of opportunities every year that are passed on to UK companies. We continue to help UK companies in easy markets (especially smaller firms) as well as devoting *resources to the important* high-growth markets in Asia and good prospects elsewhere.

We are clearly *ahead of the* Australians in at least one area. We have for some years now used an independent survey organisation to ask companies that have used our services for their views. While of *course there* is room for improvement, I'm pleased to report that the feed-back we get is very good. Around 90 per cent praise the helpfulness of our staff, a similar number will use our service again, and less *than 10 per cent overall* are dissatisfied with some aspect. We are devoting much effort to building on this success by improving our quality of service and putting more resources into work that will help British business to win in world markets.

Richard Needham,
minister for trade,
Department of Trade and Industry,
Ashdown House,
123 Victoria Street,
London SW1E 6RB

Crucial point missing about Mexican air traffic control affair

From Mr Kaveh Moussavi.

Sir, Your article, "Mexican air traffic control deal upheld", (March 3) *misses one crucial* point. You report my saying that the Mexican government has carried out no more than a perfunctory investigation of my allegations that government officials solicited money *from me. This in itself is* perfectly true, but it ignores the government's strenuous efforts to discredit me, beginning before any investigation could possibly have been launched into the truth of my allegations. This *speaks volumes* about government priorities.

The sum total of the "investigation" into my report was limited to a half-page fax. It confined itself to one simple question: did I know the names of the people who tried to squeeze a bribe out of me?

I do not know their true names, which has led the government to conclude that the allegations were unfounded. According to the Mexican government, the fact that a witness to a crime does not know the names of the culprits means that no crime has taken place. By the same curious logic, it also proves that the witness is lying and should be threatened with imprisonment.

Kaveh Moussavi,
56 Old Road,
Oxford OX3 7LL

Exception that proves the rule

From Mr Philip Mickelborough.

Sir, Your readers will be familiar with the *cynical old* saw: "Nobody ever lost money by underestimating British taste." Has the BBC just found the exception to that rule with Eldorado?

Philip Mickelborough,
39 Kingsway Street,
Marlborough,
Wiltshire SN8 1JA

Budget whittles away at pensions and penalises with ACT changes

From Mr Robin Ellison.

Sir, It is intriguing that Norman Lamont, the chancellor, *has* cancelled the statutory retail prices index increase in the amount of pensionable earnings for the next financial year. It stays at £75,000.

It seems to be government policy that the relief will be whittled away by inflation over time, rather as the mortgage interest tax relief figure has been. It is all very odd; by the turn of the century not only will fewer promised pension benefits be protected by any *form of funded* security, but only the lower-paid will have any interest in pension funds.

It reflects a conflict *of* policy between the Treasury (determined to abolish the perceived tax breaks of pension schemes) and the Department of Social Security which, like its colleagues throughout Europe, for demographic reasons is anxious to encourage the funded private sector to assume the burden of the provision of retirement income in order to relieve the public sector. Since a recent Institute for Fiscal Studies study *indicated that* the tax breaks were in reality rather modest, shouldn't the DSS try to argue its corner a *little* more strongly?

Otherwise, maybe the Goode Inquiry into pensions law should now call a halt to *its* deliberations, and save some public money. Without trying to sound hyperbolic, if the policy *is continued* then by the end of the decade there are unlikely to be that many pension funds around to need increased protection.

Robin Ellison,
Ellison Westhorp,
52 Carter Lane,
London EC4V 5EA

Sir, What the chancellor did not say in his Budget speech, but should have done, was: "Some of our multinational companies have a problem *with surplus advance corpora*tion tax. I propose to help them at the expense of the shareholders of all UK companies by reducing the latter's gross dividends by 6.25 per cent. In addition to helping those multinational companies, I shall benefit by some £1.2bn per year."

One hopes that the need to help the Treasury and the multinational companies concerned will be appreciated by:
1) those who do not use up their personal allowances and who will face a 20 per cent-plus fall in their tax rebates on dividends;
2) higher rate taxpayers whose higher rate tax on their net dividends will rise by 25 per cent; and
3) employers whose pension funds will require larger contributions to compensate for the reduction in their gross UK dividend income of 6.25 per cent.

Jenny Nelder,
Bruce Sutherland & Co,
Stoneleigh House,
Moreton-in-Marsh,
Gloucestershire GL56 0AT

Tradition of women health workers still maintained

From Ms Margaret A Buttigieg.

Sir, In 1924 it took a "personal note" from a *former* Health Visitors Association president, Gertrude Tuckwell, to TUC general secretary, Fred Bramley, to persuade the TUC to accept an application for affiliation from the Women Sanitary Inspectors' and Health Visitors' Association.

Even then women trade unionists were having to battle to take their place alongside their male colleagues. We won then – and the Health Visitors' Association is still here now, thanks to merger with our parent union MSF.

Far from "subsumed" ("Calling time on drinking with the boys", March 16), the HVA has been protected from extinction by merger. It has allowed us to keep our professional autonomy. Just as important, it has kept alive a tradition of nearly 100 years of women health workers organising together politically and professionally.

Margaret A Buttigieg,
Health Visitors Association,
50 Southwark Street,
London SE1 1UN

FINANCIAL TIMES

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Thursday March 18 1993

Betting on the Budget

THE BUDGET delivered by Mr Norman Lamont on Tuesday afternoon was a huge political gamble. The chancellor has rolled the dice on two propositions and tempted fate on a third.

His first bet is that the Treasury's complicated collection of changes in taxation will convince the markets, the Conservative party, and the public that the government has regained the equilibrium it lost on Black Wednesday. It is too soon to call this bet. The markets remained remarkably steady yesterday, in spite of the realisation that Mr Lamont's medium-term strategy for reducing the budget deficit is, to say the least, unambitious.

All talk of a balanced budget has been thrown overboard. Next year's public sector borrowing requirement will rise to £50.1bn. If Tuesday's forecasts are correct – a big "if" – the proportion of gross national product consumed by public spending will fall to 44 per cent by 1996 – exactly where it stood in 1979. Yesterday's relative calm in the markets may suggest that there is a willingness to give the government the benefit of the doubt. The explanation may, however, be more mundane: an expected cut in German interest rates today.

Mr Lamont's second bet is that accelerating economic growth will lead to comfortable increases in real earnings in time for an election in 1996 or 1997. Extra cash in pockets would wash away the bitter taste of the extension of value-added tax to domestic fuels, along with the pain of the other salami slices of additional taxation announced on Tuesday. But the chancellor cannot have it both ways. Too low an earnings increase would not win the votes; too high would rekindle inflation and keep unemployment rising.

The chancellor's third flirtation is with Lady Luck. The Conservatives presumably base their hopes for a fifth election victory on the cynical belief that voters will quickly forget that a campaign fought in April 1992 on the promise of no increase in taxes was followed by a Budget in March 1993 that put on more new taxation than Labour's Mr John Smith dared think of. This is a dangerous assumption. Political memories are usually mercifully short, even though some bad experiences enter the tribal consciousness of the nation, as Labour found to its cost after 1978-79.

If there is discontent in Britain it will arise not only from the recession but from the government's bits-and-bobs, unstrung-pearls method of budgeting. Treasury-driven, it makes and cancels railway investments in London with little thought for the transport needs of the capital, and simplifies then complicates taxation with little evidence that it has a clear structure in mind. This may be a government with a "grip" on the economy, but voters will have to pinch themselves to believe it.

A jobless Budget

MR NORMAN Lamont's offering, for all his borrowing of the opposition's slogans, cannot honestly be described as a Budget for jobs. How could it be, with unemployment expected to pass the 3m mark in today's February figures, and to carry on rising throughout this year and probably 1994 too? The pertinent question is whether the combination of Mr Lamont's macroeconomic helmsmanship and his Budget innovations will together deliver lower unemployment than would otherwise be the case.

It may seem masochistic to lament an omission of detail from Mr Lamont's performance. But the discussion of the likely course and importance of economy-wide labour market trends, both in his speech and the Treasury's Red Book, is inadequate. The developments in pay, productivity and the exchange rate that are needed if unemployment is to fall fast are either too obscure, or too painful, for the Treasury's economists to analyse.

Yet the implicit message is clear enough: massive unemployment is here to stay. The Treasury's pessimistic growth projections imply unemployment above 3m throughout this parliament. This will be so unless there is a further fall in the real cost of labour, either through a further sterling depreciation or a sustained period in which real wages grow more slowly than underlying productivity. But to mention the former would court disaster in the markets, while the latter would not play well politically with voters who are to be punished by higher taxes in the next two years.

High real wage growth, at the expense of permanently higher unemployment, appears to be deeply ingrained in Britain. But it is difficult to understand why the chancellor felt it necessary to compound the problem by a 1 percentage point increase in National Insurance employee contributions, effectively a tax on lower-paid employment.

Yet the government also deserves modest praise. Its package of training and employment schemes for the unemployed is an imaginative step in the right direction.

Particularly encouraging are the four pilot Workstart schemes which will enable the long-term unemployed to transfer their welfare benefits as a subsidy to a private-sector employer. This is a more desirable way of getting the unemployed back to work than poorly paid, temporary public or voluntary sector jobs.

Regrettably, the whole employment package is much too small. Extra spending of £125m, creating space for only 100,000 additional participants, looks puny alongside long-term unemployment of more than 1m. The government should plan for a significant increase in the 1,000 initial Workstart places, if the trials are successful. The additional places should perhaps be targeted at the 200,000 people aged between 18 and 24 out of work for over a year. The demand for the government's new schemes will be rising for a number of years. So must the supply.

Handle with care

THE BOARD of governors of the International Atomic Energy Agency meets in emergency session in Vienna today to decide what to do about North Korea. That country has refused access to two liquid waste facilities, identified by satellite reconnaissance, whose existence suggests a capacity for reprocessing plutonium on a larger scale than it had admitted to possessing.

Meanwhile North Korea has announced its withdrawal from the nuclear non-proliferation treaty (NPT) – an unprecedented step, which however cannot legally have immediate effect. Under the treaty, three months' notice must be given to all other parties and to the UN Security Council, and must include a "statement of the extraordinary events" the withdrawing state regards as having "jeopardised its supreme interests".

The Security Council could in theory order North Korea to remain an NPT signatory and to comply with the IAEA's request, and impose sanctions if it fails to do so. The question is whether sanctions aimed at further isolating a state which has already so isolated itself would actually be effective in altering its behaviour. The track record of economic sanctions without military action is not impressive.

Military action is what North Korea claims to be afraid of. It has already put itself on a "semi-war" footing, in response to the joint US-South Korean military exercise, "Team Spirit", which it also cites as the "extraordinary event" justifying its withdrawal from the NPT. There is in fact nothing very extraordinary about it – such exercises have been held regularly since 1976 – but North Korea apparently regards it as a breach of an agreement reached with the south in 1991, under which it agreed to accept IAEA inspections of its nuclear facilities in return for the withdrawal of US nuclear weapons, and nuclear-capable ships and aircraft, from South Korea. The US has withdrawn them; but some of the ships and aircraft taking part in Team Spirit are, or were, nuclear-capable.

How likely it is that North Korea is building a nuclear weapon, and how far if so it might have got with it, are questions on which experts disagree. Only full inspection by the IAEA can settle the matter. If North Korea has a lot to hide it is hard to see why it agreed to IAEA inspections in the first place; but many aspects of that state's behaviour defy conventional ideas of reason.

What is clear is that neither South Korea nor any of North Korea's other neighbours have any desire for military escalation. In 1991 and early 1992 conciliatory gestures by the US and South Korea produced the beginnings of a thaw. It may be that by staging Team Spirit the US and South Korean militaries have inadvertently upset their own governments' diplomatic strategy. If so the Security Council, before it decides to assume the worst and embark on the stony road of sanctions, should be looking for ways to get that strategy back on track.

Simple formula for friction

US drug companies are joining battle against healthcare reform plans, write **Paul Abrahams** and **Alan Friedman**

Battle-lines are being drawn between the Clinton administration and the US pharmaceuticals industry over the president's determination to remake America's healthcare system and put a cap on drug prices.

The idea of imposing price controls – hinted at this week by Mr Ira Magaziner, a top White House adviser – is fuelling the already fiery debate. The options range from placing ceilings on health insurance premiums to a freeze on medical costs.

The controversy over Mr Clinton's healthcare thinking began even before he was elected last November and was reignited last month when the president said he was shocked at the behaviour of the drug industry. He claimed that the sector's price rises had been unjustifiable, its profits excessive and its investment on advertising and lobbying – $1bn more than its spends on R&D annually – unwarranted.

Mr Roy Vagelos, chairman of Merck, the world's largest drug company, who supported Mr Clinton's presidential campaign, said he was disappointed and pained by the attack. In an unprecedented step, he published an open letter to the president in five US newspapers, defending the industry's position.

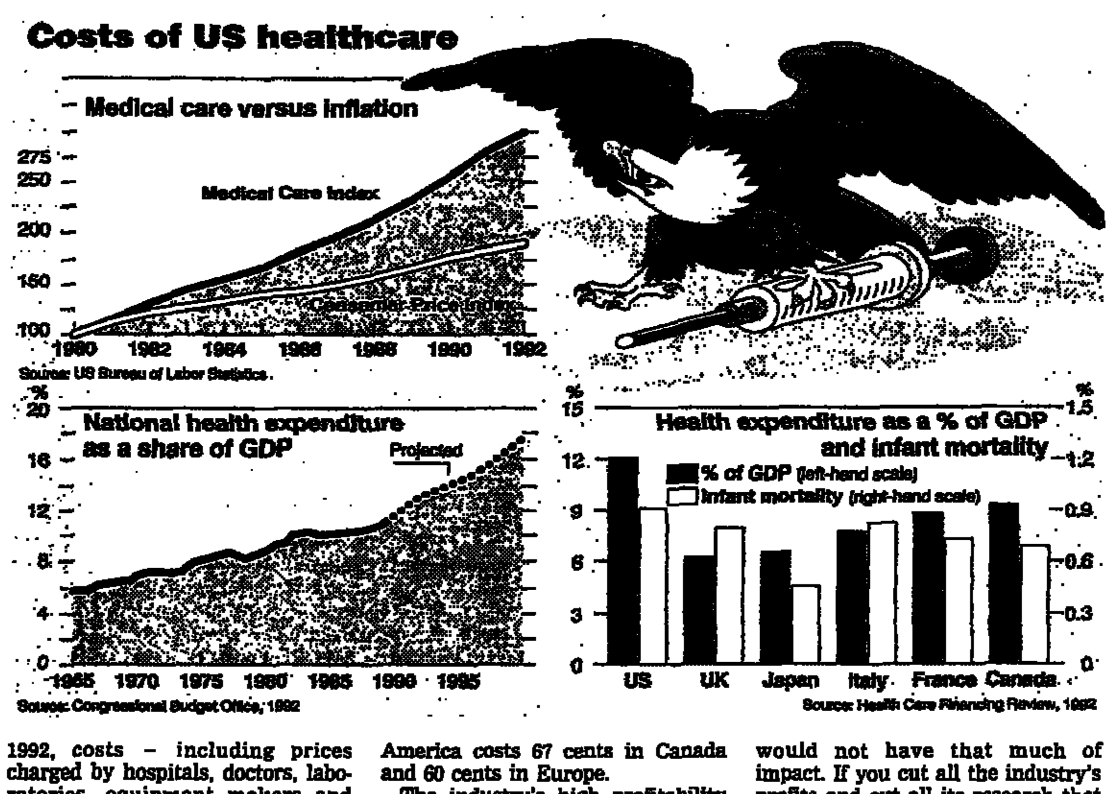
Mr Kirk Raab, president of Genentech, a leading US biotechnology company which researches genetically engineered drugs, warned that "if there are price controls on new products it could stifle research and development".

The war of words between drug industry executives and the White House has caught the public's imagination, becoming a prime item on television news and a subject for talk shows. A large part of the controversy revolves around the role that Mrs Hillary Rodham Clinton has been assigned as head of the White House taskforce on healthcare reform.

Mrs Clinton is supposed to produce a comprehensive set of reforms by May 1. Her role in devising a scheme to expand healthcare coverage to every American while cutting costs has raised hackles among conservative politicians uncomfortable with the idea of a first lady who makes policy.

Although the reforms have yet to be announced, concerns about their scope and possible legislation to enforce them have hit pharmaceuticals stocks. Since Mr Clinton's election in November, American drug shares have underperformed the US market by 18 per cent. Shares in Merck and Pfizer have fallen by 20 per cent and 27 per cent respectively.

At the root of the administration's determination to overhaul the healthcare system has been a sharp increase in costs. Between 1980 and 1992, costs – including prices charged by hospitals, doctors, laboratories, equipment makers and drug companies – increased at more than double the rate of inflation. Health expenditure as a proportion of GDP rose from 7 per cent in 1965 to 12 per cent in 1990. It is now $800bn a year.



"However you measure it, healthcare costs are killing America. US society just cannot afford to keep spending this much on health. Medical inflation is out of control and it is not even delivering better health. Just look at the US's poor infant mortality rate," says Mr Curtis Thorne, head of pharmacy at Cigma, which manages healthcare programmes for US companies.

For politicians looking for a solution, the pharmaceuticals industry has proved an easy target. Between 1980 and 1992 drug prices increased by 128 per cent – nearly six times the rate of inflation, according to the Bureau of Labour Statistics. Prescription medicines are far more expensive in the US than elsewhere: on average, a drug costing $1 in America costs 67 cents in Canada and 60 cents in Europe.

The industry's high profitability – conspicuous during the recessionary early 1990s – has also made it vulnerable to complaints. Senator David Pryor, a Democrat from Arkansas and a leading critic of the industry, says: "Drug companies have been making returns on sales three times greater than the average for the Fortune 500 companies, and twice the return on equity. Whatever measure of profitability you take, pharmaceuticals companies come out on top."

Mr Bob Cawthorn, chairman and chief executive of Rhône-Poulenc Rorer, the Franco-American drug company, admits: "The pharmaceuticals industry has become the whipping boy of politicians because its price rises and profits have been so visible."

Drug groups have argued they are not to blame for the healthcare spending crisis. Only 7 per cent of US healthcare spending is on medicines, they maintain.

"Cutting the drug sector's profits would not have that much of impact. If you cut all the industry's profits and cut all its research that would only reduce healthcare spending at most by 3 per cent," says Mr Cawthorn. "That would not solve the problem for government, patients or the employers that pay for insurance."

The industry also says it needs high prices to fund the research and development of new medicines. The drug companies say that society needs a viable and innovative industry if it is to find a response to Aids, cancer, Alzheimer's and other illnesses.

Such arguments have not impressed politicians who have been emboldened by public support for aggressive measures. Some members of Congress are taking advantage of the drug sector's poor public image to launch attacks both inside Congress and in the media.

Indeed, the drug sector looks like replacing the chemical or oil sectors as the industry held in least esteem by the public, says Mr Henry Wendt, chairman of SmithKline Beecham, the Anglo-American group.

The sector's poor image stems partly from its bungled response to pressure for price cuts. Last year, 10 leading pharmaceuticals groups, including Merck and Pfizer of the US, Glaxo and ICI of the UK, and Roche of Switzerland, pledged they would in future not increase prices by more than the rate of inflation – on average.

Few consumers and politicians noticed the words "on average". Inevitably, the prices of some drugs rose faster than the rate of inflation, even the if the groups' average prices were within the set limit.

Moreover, prices offered to bulk buyers of drugs such as Medco, a company that specialises in selling cheaply to company healthcare plans, are often at a discount. That means there is an increasingly uneven price burden for consumers. Many older Americans, whose insurance fails to cover the cost of medicines, have been left shouldering large price rises. Senator Pryor claims the drug groups broke their promises and should not be trusted.

"The announcements were ambiguous," says Mr Wendt at SmithKline Beecham. He says his group's price increases were limited to 1.6 per cent last year.

"The industry has reacted too slowly to concerns about pricing. Senior executives have not shown sufficient leadership. We are at the 11th hour and the 59th minute," says Mr Wendt. He believes it may be too late for the industry to head off the administration's reforms.

The exact nature of the measures being considered by the new administration remain unclear. "Nobody, probably not even Mrs Clinton's task force, yet knows what will be proposed on May 1," says Mr Cawthorn at Rhône-Poulenc Rorer.

The industry, shocked by the relentless attacks by Democratic politicians and facing reform measures from the White House, is launching a last-ditch attempt to protect itself.

This month, Mr Wendt issued a rallying call for the sector to negotiate a new social contract between the pharmaceuticals industry and society. "We must show our customers that medicines are good value," he said. He called for the industry to engage in price restraint and to invest in studies that not only showed that drugs were safe and effective, but that they were cost-effective as well.

But there is little time to get this message across. Almost daily assaults by congressmen have started to take their toll, while a fresh attack by Mrs Clinton is unlikely to leave the industry unscathed.

The UK Budget adds obstacles to an EC carbon tax, say **Bronwen Maddox** and **David Gardner**

Paler shade of green

Does the UK Budget signal the end of a European-wide carbon and energy tax? The answer is probably yes. The tax proposals, in their original form, were already facing considerable obstacles. The chancellor's comments may well have compounded their difficulties.

The Budget, which included the imposition of VAT on domestic fuel and higher petrol and higher petrol and car licence taxes, made more claims to greenness than any of its predecessors – even though the claims were immediately disputed by environmentalists.

The chancellor argued that these measures would help reduce carbon dioxide emissions and combat global warming. But while he agreed that "there may be a case for further co-ordinated international action on global warming", he added: "I remain unpersuaded of the need for a new European Community tax. Tax policy should continue to be decided here in this House – not in Brussels."

The swipe at Brussels' influence is hardly unfamiliar, and the UK government's resistance to the proposed EC energy-carbon tax began to surface as long ago as last autumn. But given that a community consensus is needed on the issue, Tuesday's comments by Mr Norman Lamont caused a sharp reaction in Brussels. Mr Ioannis Paleokrassas, the environment commissioner, insisted that negotiations towards the energy and carbon tax would continue. "I don't see why we should withdraw the [energy tax] proposal." However, he welcomed the new green taxes "as long as they are in the right direction – and these ones seem to be in the right direction."

The Budget has put the UK in an odd position: ahead of many Community members on measures to restrain carbon emissions, but resistant, it appears, to the Commission's proposals that could force others to follow suit. Concerns about the UK's stance are likely to surface next Tuesday when energy and environment ministers meet at a special "jumbo" council.

That joint council, a rare occurrence, is a sign of new efforts to resuscitate the proposals, which have made little progress since the Rio Earth Summit last July. The EC committed itself to stabilising carbon dioxide emissions at 1990 levels by the year 2000 on condition that its main trading partners take similar steps. However, a recent internal Commission report showed that, without a tax, EC emissions were set to miss that target by a minimum of 4 percentage points.

The original EC plan was to impose a combined carbon-energy tax, starting at $3 per barrel of oil or oil-equivalent and amounting to $10 by the end of the decade. Fuels would be taxed more heavily the higher their carbon content – coal has more than gas, nuclear has almost none.

Discussions on the plan were given new vitality by the new US energy taxes announced by the Clinton administration. But consensus between the Community members remains difficult, according to Mr Paleokrassas.

The carbon part of the tax plan has proved the most controversial. France – heavily committed to nuclear power – wants the carbon-energy tax to be weighted more towards fuels with a high carbon element. The UK wants a smaller carbon element, a position likely to be strengthened by the current review of the coal industry which is likely to preserve some uneconomic pits. As Mr Robert Jones, chairman of the UK parliamentary select committee on the environment argued, it hardly makes sense to subsidise a fuel industry and at the same time introduce a financial incentive to switch away from that fuel.

The energy part of the tax has also come under attack from poorer countries: Spain in particular argues that the richer countries which emit most carbon dioxide, and have most resources to spend on energy-saving technology, should be set higher reduction targets.

Environmentalists and economists have also challenged the proposed tax's environmental effectiveness, particularly on transport, the fastest growing sector of carbon dioxide emissions in both the UK and Europe overall.

In its original form, the EC estimates the tax would have raised the price of petrol by only 6 per cent and diesel by only 10 per cent. Demand for transport is unresponsive to changes in fuel price – transport economists were sceptical yesterday that even the Budget's extensive package of extra costs for UK motorists would have much impact on traffic levels.

One of the most effective deterrents, they argue, is poor roads and traffic jams, but the UK, as well as much of Europe, is embarking on a heavy road-building programme. On that argument, even if an EC tax were weighted more heavily towards transport, as recent councils have begun to explore, the environmental benefit could still be negligible.

These tensions suggest that if proposals for an EC tax survive, it may well be in a looser form – an aggregation of each country's measures, some perhaps taken for fiscal rather than environmental reasons. Next week's council will help show whether the UK chancellor's comments have been truly obstructive, or whether they are a sign that discussions are already moving towards a modified tax.

OBSERVER

Behind the facade

■ There's often, if not usually, more interest in what a company chooses not to say when publicly announcing the appointment of a new non-executive director than in the facts it takes pains to make known.

Take for instance Malcolm Parkinson, at 45 the first Pro-Ned-sponsored recruit to the board of builders' merchants James Latham. "A marketing specialist" who has "forged a distinguished career", purrs the stock exchange announcement, going on to recount how he built up the do-it-yourself chain B & Q, then moved on to help defeat Dixon's unwelcome bid for Woolworth Holdings before becoming chief executive of the same. End of official story.

But surely all that was more than five years ago. Is not this the same Parkinson who quit Woolworths in November 1987 for a £150,000-a-year job as a director of Benlox, the tiny engineering group which he and merchant banker Peter Earl used to attempt a ludicrously ambitious takeover of Storehouse?

After Benlox's £2bn bid flopped, Parkinson launched the Retail Corporation, with £10m by way of backing, which aimed to set up a nationwide chain of garden centres. That tumbled into receivership a year ago.

So what might be the moral? Don't listen to professional publicists, for one thing. And keep announcements of non-executive board appointments as brief as possible – name, age and current occupation are all that's required.

To the cleaners

■ When Moroccan bank-tellers refused to accept the dirty and dog-eared foreign currency sold cheaply to citizens of Rabat by a money-changer from Mali, the recipients angrily took them back. He promptly offered them a cut-price "magic cleaning lotion".

The laundering proved his undoing, however. The notes turned out to be counterfeits, and he's now all washed up in prison.

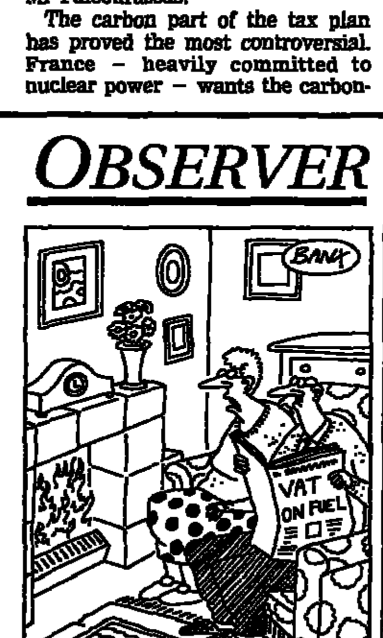
Glitch doctor

■ Yet another rumpus has been stirred up by France's maverick minister of health and humanitarian affairs Bernard Kouchner. The controversy that has surrounded him ever since he entered politics is still clouding his plans to depart after this month's elections.

The latest gaffe by the doctor who founded the dashing Médécins Sans Frontières team of flying medics in the 1970s comes on top of his affront to the politically correct in publicly remarking that he'd occupy himself by "thinking, writing and looking at women".

To fill the rest of his time he intended not only to set up a new humanitarian foundation, but to take an academic post. Alas, the one he'd found – the honorary professorship of humanitarian medicine at the Cochin university hospital in Paris – has hit trouble.

The glitch is that it would have been specially created for him, which has so outraged conservatives in medical quarters that even the intrepid Kouchner has bowed by renouncing the post.



'I look in the flames and I keep seeing Norman Lamont'

Rolling road

■ Paul Keating's newly re-elected Australian government has decided to give a rough ride not only to royalty, but to visiting VIPs of all kinds. It is selling the fleet of plush cars used to chauffeur them, on grounds that they are inadequately attack-proof as well as too costly to maintain, and buying armoured Fords and Holdens instead.

The unwanted wheels include seven Rolls-Royces – three black 1958 Silver Wraiths, two black 1965 Phantom Vs and, fittingly, two "royal claret" 1964 Silver Cloud IIIs – besides two 1954 Land Rovers in mere ordinary claret although specially built for conveying crowned heads. Offers direct to the Australian government, please.

Party pledge

■ "Abstaining" could take on a new meaning in Poland's parliament with the forming of a brand new party. Shocked by the 16 seats won in 1991 by the ale-loving alliance of the Big Beer and Little Beer parties, a teetotal group has set up the Party of Sober People.

Adversaries say that, given the Poles' habits, its main problem will be deciding which telephone kiosk to use as a venue for its party conferences.

Over-proud

■ While national rivalry has been a potent force for good and ill, it is perhaps less well understood as a force for deliberately inflating a firm's accounts. National pride is, however, the only explanation building products group Expamet International can offer for the behaviour of managers at what used to be its Netherlands duct-making subsidiary, Brema-Air.

They were recently discovered to have inflated profit figures because, it seems, the Dutchmen simply couldn't bear to be seen to lag behind the group's UK businesses. However, Expamet is not taking the local managers to court, since none of the miscreants made a penny from their misdeeds.

Indeed, Expamet boss Alex Orr, who understands the intensity of international rivalries from the days when he ran the mile for Scotland – tells me that far from profiting, they even put £500,000 of their own money into the company during the audit, although they took it out afterwards.

Watershed

■ Is water polo dangerous? The risks clearly aren't confined to the one immortalised by Tony Curtis when, impersonating an aqua-sporting millionaire in Some like it Hot, he answered the question with: "I should say so. Why, the last time I played, I had three ponies drown right under me."

The Red Stars water polo team from Yugoslavia have just been left high and dry in South Africa because, in the opposite of a case of the biter bit, the Pretoria government has endorsed the UN sanctions against their country.

They did manage one game on Monday, but the rest of their programme has gone down the drain.

FINANCIAL TIMES
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Wary Delors to meet Clinton

Lionel Barber on talks between two powerful men from humble stock

Jacques Delors remains instinctively suspicious of Washington

MR Jacques Delors, European Commission president, has taken a gamble in pressing for a meeting with President Bill Clinton in Washington today.

The Frenchman's feelings about America have always been ambiguous, a mixture of envy and admiration. With the new administration pressing Europeans to reduce aviation and steel subsidies, and to modify Buy European laws on government procurement, some of Mr Delors' fears appear to be coming true.

If the US carries out its threat to block European companies from certain federal contracts next Monday, it will look like a calculated snub.

In Brussels yesterday, EC officials remained unsure whether Mr Delors, 67, intended to show the charm which at times wrong-footed Mrs Margaret Thatcher, the former UK prime minister, or whether he might repeat his recent remark about Mr Clinton's "need to preen in front of the mirror to make sure that his muscles are still firm".

The White House meeting was long planned, although at one stage a disgruntled Mr Delors was told he could have only 15 minutes, according to one EC official.

Delicate negotiations have apparently succeeded in extending the session to 90 minutes, offering him a chance to present his most important message to Washington: whatever its present economic and political difficulties, the European Community must be treated as an equal.

Mr Delors never quite managed to persuade the Bush administration of this, even at the high point of his powers in the late 1980s, when he pushed through the single European market and laid the groundwork for European monetary and political union in the Maastricht treaty. Although the US briefly treated Maastricht with reverence, the Bush administration soon realised talk of an emerging European superstate was premature.

In Brussels, all talk now is of a fresh start in transatlantic relations built on the two leaders' common political outlook, which ranges from environmental and industrial policy to a mistrust of the free-market deregulation of the 1980s.

More tentatively, EC officials mention common humble roots: Mr Delors rose from peasant stock to become mayor of the Parisian suburb of Clichy and finance minister in the first Mitterrand government, while Mr Clinton's escape from Hope, Arkansas, is already the stuff of American folklore.

Yet differences remain. Despite his intellectual prowess, Mr Delors remains instinctively suspicious of the US. His behaviour in the Gatt trade talks is characteristic. Even if charges that he is a surrogate of a protectionist French government are wide of the mark, he still explodes at what he sees as the US tendency to bully, notably on farm trade.

Last October, at the height of the Gatt negotiations, Mr Delors did a passable imitation of the late Charles De Gaulle when he declared: "If Europe is to become adult, it must be able to say No to Big Brother."

It is fashionable to speak of him as a spent force at the European Commission, where his mandate runs out next year. But "General" Jacques believes there may be life after Brussels, and is quietly plotting a re-entry into French politics, where some think he is the likeliest man of the left to beat a right-winger in a presidential election in 1995.

German engineering sector expects further fall in output

By Christopher Parkes in Frankfurt

MECHANICAL engineering companies, western Germany's leading export earners, believe output and employment will fall further this year before recovery starts in 1994.

Production, which fell 6 per cent in 1992, will decline by another 5 per cent, and around 80,000 jobs will be lost, according to the VDMA industry association.

Some specialist sectors, such as textile machinery and construction equipment, have started to recover from the international recession, Mr Jan Kleinewerfers, association president, said yesterday.

However, much of the industry will have to wait for signs of recovery – at least in exports – until the second half of this year, he said.

Mr Kleinewerfers found grounds for optimism in the falling trend in long-term interest rates, appreciation of the dollar and the yen against the D-Mark, revival in the US economy, and continuing growth in Latin America and Asia.

As the worldwide "investment recession" came to an end, the industry would exercise its growth potential, he said. Despite the slowdown, western German engineering is well equipped for recovery after an extraordinary burst of capital investment before and during the unification boom.

Meanwhile, orders have continued to fall and the number of employees working short time, which doubled to 112,000 last year, reached 180,000 last month.

The sector shed 5.5 per cent of its workers last year, bringing the number of jobs lost since the onset of the economic decline in early 1990 to 90,000. Capacity utilisation fell from 85.4 per cent to 78.7 per cent in the course of the year. Industry turnover fell 4.6 per cent to DM220.5bn ($133bn) while exports slipped 3.4 per cent to DM113.9bn.

Unit labour costs also increased 7.5 per cent and average return on sales fell by a third to 1.2 per cent. This was 0.4 per cent down on the previous post-war low of 1.6 per cent recorded in 1980 and 1981, and less than half the 1989 peak of 2.7 per cent.

Worst-hit branches included machine tools, the single biggest engineering sector, which last year saw new orders tumble by 23 per cent to around half the level booked in 1989.

Manufacturers, which export 58 per cent of output – 70 per cent to Europe – were particularly affected by the stronger D-Mark.

Industry bright spots, Page 16

Mayor to be next US ambassador to Vatican

By Jurek Martin in Washington

THE CITY of Boston was astonished on Tuesday night when its mayor of 10 years, Mr Raymond Flynn, announced he was to be the next US ambassador to the Vatican.

There had been no hint in the days before St Patrick's Day that the popular Mr Flynn – Boston-Irish, liberal, Catholic and an opponent of abortion – would be so honoured or was thinking of leaving his urban charge in the middle of his third term.

Most local speculation had centred on who was to become the next ambassador to Dublin, a nomination long expected to mark the visit to the White House yesterday of Mr Albert Reynolds, Ireland's prime minister.

President Bill Clinton confirmed most rumours by announcing that he had chosen Mrs Jean Kennedy Smith, sister of Senator Edward Kennedy from Massachusetts and his two slain brothers.

Another woman with impeccable political credentials, but no formal career in politics, is widely expected to get the plum embassy in Paris. This is Mrs Pamela Harriman, English-born widow of the US statesman Mr Averell Harriman, former wife of Mr Randolph Churchill, and mother of Mr Winston Churchill, a Conservative member of the UK parliament.

Mrs Harriman is a great Washington and international socialite, long a prominent Democratic party fundraiser and an early supporter of Mr Clinton. She speaks French fluently and is widely reckoned to possess a political acumen comparable to her considerable charm.

The Paris embassy, like that in London, is normally reserved for political patronage, and Mrs Harriman was rumoured at one stage to be in line to be ambassador in the country of her birth. She always denied this, expressing a preference to stay in Washington now that it had a Democratic president.

It is now widely believed that Mr Raymond Seitz, the first professional diplomat ever to be US ambassador to the Court of St James, has been asked to stay on in his present post for at least another year. This would satisfy the UK government, which regards him highly.

Another important embassy, that in Tokyo, also seems to have been earmarked for Mr Richard Holbrooke, the Asian expert who served in President Jimmy Carter's State Department.

Markets take cautious view of complex UK budget proposals

By James Blitz, Economics Staff, in London

FINANCIAL markets continued to treat Britain's new budget warily yesterday as traders and investors struggled to digest its many complex elements.

Sterling again made modest gains against the D-Mark and the dollar as currency investors were reassured by Chancellor Norman Lamont's statement that the level of UK base interest rates was appropriate to current economic conditions.

However, Mr Lamont's view on interest rate policy triggered a small setback for equities, which were unsettled as the market tried to assess the impact of the government's planned changes to advance corporation tax.

The shares of many overseas-earning companies were depressed because their income may be affected by the foreign income dividend proposals.

UK government bond prices bounced back from the lows reached on Tuesday as markets re-assessed the impact of the budget and shrugged off the chancellor's announcement that the public sector borrowing requirement for next year would be around £50bn ($71bn).

Mr Lamont warned yesterday that the government would take additional fiscal measures if necessary to reduce the UK's public sector deficit.

He said his budget announcement of plans to increase taxation by a net £6.7bn in 1994-95 and £10.3bn in 1995-96 was "a bold step" towards removing the threat posed by excessive borrowing to economic recovery.

But he declined to rule out a further extension of value added tax in addition to his decision to levy VAT on domestic fuel and power for the first time.

On the currency markets sterling gained another 1¼ pfennigs to a London close of DM2.4150.

There had been some speculation before the budget that Mr Lamont would announce another cut in UK base rates to help stimulate economic recovery.

However, the pound's strength in recent days has also been triggered by a growing belief in financial markets that the Bundesbank will ease its internationally-important Lombard and discount rates at its council meeting today.

On the London stock market, the FT-SE 100 Index closed 29.4 down at 2,889.9, although trading in shares was not heavy.

Longer-dated gilts gained strongly, with the yield on the 9 per cent stock due 2011 falling to 8.30 per cent from 8.33 per cent at the opening.

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Yeltsin urges closer CIS integration

Continued from Page 1

crisis were not to be linked.

According to Mr Vyacheslav Kostikov, the presidential spokesman, many members of the Presidential Council told Mr Yeltsin that the introduction of presidential rule at the expense of the Russian parliament would be fully justified. "Many [members] say the president has all the moral and constitutional rights to introduce presidential rule. The path to concessions and compromise is already exhausted," Mr Kostikov told Itar-Tass news agency.

However, other aides laid the accent on his desire to find compromise and understanding. Mr Sergei Shakhrai, a deputy prime minister and close aide, said in a newspaper interview that "one thing should be obvious – no-one can bring in extraordinary measures, not the president, not the Congress, nor anyone else".

Gen Pavel Grachev, defence minister, told the Itar-Tass that the army was firmly under control and would abide by the constitution. What the constitution prescribes for different levels of the Russian power structure is however a crucial point at issue.

World Weather

		°C	°F			°C	°F			°C	°F
				Boulogne	C	10	50	Frankfurt	C	11	52
				Brussels	F	13	55	Geneva	S	15	59
				Budapest	C	11	52	Gibraltar	F	17	63
Ajaccio	S	15	59	Buenos Aires	C	26	79	Glasgow	Dr	11	52
Algiers	S	18	64	Cairo	F	14	57	Helsinki	C	2	36
Amsterdam	F	11	52	Cape Town	S	24	75	Hong Kong	F	17	63
Athens	F	16	61	Caracas	F	30	86	Innsbruck	R	9	48
Bahrain	S	23	73	Casablanca †	S	24	75	Inverness	R	11	52
Bangkok	F	34	93	Chicago †	S	-9	16	Islamabad	F	22	72
Barcelona	S	16	61	Cologne	C	12	54	Istanbul	S	8	46
Beijing	S	6	43	Copenhagen	Dr	7	45	Jakarta	R	32	90
Beirut	F	15	59	Corfu	S	18	64	Johannesburg	F	21	70
Belfast	C	12	54	Dallas †	S	7	45	Lisbon	S	19	66
Belgrade	R	13	55	Dublin	Dr	12	54	London	S	14	57
Berlin	R	8	46	Dubrovnik	S	18	64	Los Angeles †	F	16	61
Bermuda	C	17	63	Edinburgh	C	14	57	Luxembourg	C	11	52
Bombay	S	30	86	Faro	S	18	64	Madeira	F	20	68
Bordeaux	S	21	70	Florence	F	13	55	Madrid	S	17	63

		°C	°F			°C	°F			°C	°F
Majorca	S	20	68	Oporto	S	22	72	Tenerife	F	19	66
Malaga	F	18	64	Oslo	F	9	48	Tokyo	S	11	52
Malta	S	16	61	Paris	C	13	55	Toronto †	C	-5	23
Manila	F	32	90	Prague	R	9	48	Tunis	F	18	64
Melbourne	F	21	70	Reykjavik	Sn	-2	28	Valencia	S	21	70
Mexico City	F	24	76	Rhodes	S	14	57	Venice	C	8	46
Miami †	F	21	70	Rio d'Janeiro	C	38	100	Vienna	R	11	52
Milan	S	17	63	Rome	S	15	59	Warsaw	R	8	46
Montreal †	R	3	37	Salzburg	R	8	46	Washington †	R	4	39
Moscow	R	5	41	S'Francisco †	R	14	57	Zurich	R	13	55
Munich	R	9	48	Seoul	F	8	46				
Nairobi	C	19	66	Singapore	F	30	86				
Naples	S	18	64	Stockholm	S	9	48				
Nassau	C	23	73	Strasbourg	C	12	54				
New Delhi	S	24	75	Sydney	S	23	73				
New York †	R	6	43	Taipei	R	19	66				
Nice	F	14	57	Tangier	F	18	64				
Nicosia	F	17	63	Tel Aviv	F	14	57				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

THE LEX COLUMN

Getting in on the ACT

A 30-point fall in the London equity market and a ½-point rise in long gilts seems a proportionate response to the chancellor's advance corporation tax surprise. For tax-exempt institutions the reduction in ACT rate from 25 to 20 per cent marginally improves the attraction of gilts over equities. But that is unlikely to provoke much widespread switching. A fall in equities of around 2.5 per cent would restore gross yields to the level before the chancellor stood up. Yet given a number of offsetting factors, that would be excessive. Companies will receive a cash flow boost. Some may even increase dividends to compensate institutions for their lost income.

Such institutional pressure for higher payments would be rather rum. They would be unlikely to respond sympathetically if their employees demanded higher pay to offset personal tax rises. The chancellor has transferred resources from institutions to companies, and he has effectively encouraged retained earnings over distributions to pension funds. Such a bias towards corporate investment may even have been deliberate.

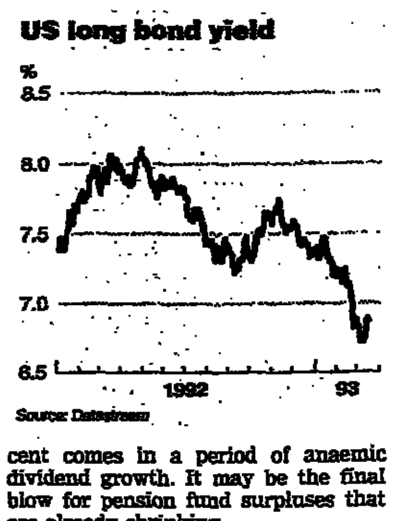
These changes will produce some mixed results among high-yielding shares. Those such as ICI with low – or no – dividend cover may suffer, since they clearly cannot increase payments to compensate for the sharp drop in gross yield. Others, such as Redland, which will benefit from improved cash flow, might do well if their dividends become more secure. And high yielding shares with good cover may be bought to replace lost yield – hence the demand for utility stocks yesterday.

Proposals for foreign income dividends are further away and more opaque, although there is a clear conflict between companies wishing to cut their unrelieved ACT by issuing such dividends and institutions demanding UK payments with tax credits. Perhaps the chancellor will permit pension funds to take the UK dividend and taxpayers to take the overseas one. Such tax efficiency, though, was probably not what he had in mind.

Pension funds

The reduction of pension funds' tax credit on UK dividends could hardly come at a worse time for the industry. The credit was sliced from 35 per cent to 25 per cent in the 1980s, but dividends were then growing faster than liabilities. Yesterday's cut to 20 per cent comes in a period of anaemic dividend growth. It may be the final blow for pension fund surpluses that are already shrinking.

FT-SE Index: 2889.9 (-29.4)



Domestic equities remain the best match for most pension liabilities. But actuaries rolling a reduced yield on equities forward through the life of a fund might conclude that uncovered liabilities have increased substantially. Perhaps £20bn may have to be found over time to make up for lost investment returns. Higher contributions from employers – and an early end to contribution holidays – are the obvious places to look. That will drain company profits once the gap shows up in pension funds valuations.

Whether this is only the thin end of the wedge remains an open question. For the first time the chancellor has uncoupled the tax credit from the basic rate of tax, which remains at 25 per cent. The innocent interpretation is that he is simply looking forward to the day when the basic rate is set at 20 per cent. But with the fiscal position so tight, he may be tempted to come back for more. Taking the credit away altogether would yield a further £4bn a year.

US economy

After Friday's disappointing US producer price figures, yesterday's underlying rise of 0.5 per cent in February consumer prices is somewhat unnerving. But it would be premature to conclude that inflation is gathering strength again. The consumer price figure was boosted by an unusually large but probably one-off rise in clothing prices. Producer prices reflected the higher cost of lumber as sawing restrictions were imposed to protect the spotted owl.

That could be a sign that regulatory actions by an interventionist Clinton administration could push up the overall price level in the US. Otherwise there is little obvious inflationary pressure building up in the system. Broad money growth and credit demand remain weak. Productivity gains should restrain prices, and, though capacity use is at its highest for 18 months, it is still not stretched. There may be room for long bond yields to plumb new lows around 6.5 per cent in the next few months. That would be all the more likely if, as some expect, the rapid recovery established around the turn of the year slows in the second quarter.

For the time being the global bond market environment should thus not hinder the UK chancellor's efforts to finance the £50bn public sector deficit announced on Tuesday. Disinflationary pressures still seem strong enough to offset growing calls by governments on bond markets around the world. That feeling could grow when continental European interest rates turn decisively and inverted yield curves become positive again.

Spring Ram

The suspension of Spring Ram's shares, for an unspecified reason, five days before its annual results raises some frightening spectres. The most benign possibility is it is having lively discussions about its ACT position after the Budget changes. The alternatives scarcely bear thinking about, coming just four months after revelations about "serious misrepresentation and false accounting" at one of its subsidiaries. Spring Ram's directors did a good job in reassuring institutional investors that the problem at Balterley Bathrooms was a one-off lapse. The share price showed surprising resilience after the initial fall. But any further misfortune, whatever its nature, would send infuriated investors scurrying for the door.

There have long been niggles about Spring Ram's depreciation policy and the accounting treatment of stocks and government grants. The fast-growing company's highly-charged culture and continued failure to appoint non-executive directors only heighten the sense of unease. At the same time Spring Ram has raised expectations to inordinate heights. If it is now about to disappoint, the recriminations will prove bitter.

FINANCIAL TIMES

COMPANIES & MARKETS

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INSIDE

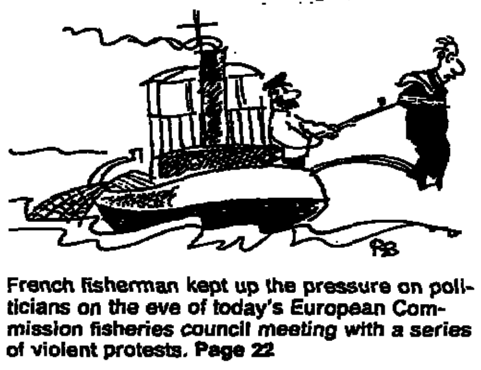
German engineering units break gloom

Bad news from German industry was interrupted by reports of rising profits and pay-outs from Barmag, which claims to be the world's leading synthetic fibre machinery maker, and Vögele, a specialist in road-building equipment. Barmag offered a DM2.50 ($1.50) bonus on top of a repeated DM10 dividend, while Vögele proposed a DM2 increase to DM12 after a 20 per cent increase in net profits. **Page 16**

Aga optimistic at 3% rise

Aga, the Swedish industrial gas group, saw profits rise 3 per cent to SKr1.48bn ($189m), and predicted a further improvement this year. The dividend is being increased to SKr9 per share from SKr8.50. **Page 17**

Fishermen make the point

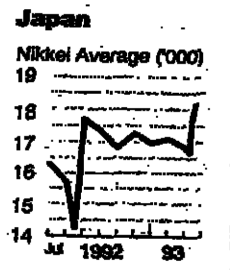


French fisherman kept up the pressure on politicians on the eve of today's European Commission fisheries council meeting with a series of violent protests. **Page 22**

Thomson Corp lifts earnings

Earnings of Thomson Corp, the Canadian-owned travel and publishing group, rose by 15 per cent before $170m charges against its UK and North American newspaper operations. The main boost to last year's earnings came from the information and publishing division. **Page 17**

Nikkei closes at high



The Nikkei average closed at the year's high after senior Liberal Democratic party members called for a stimulus package larger than last August's emergency measures. The 225-issue index gained 205.07 to 18,173.37, helped by a grise in the futures market. The index hit the day's high of 18,242.70 just before the close. **Back Page**

Relaxing despite the fall

For a businessman who has just struggled through one of the worst years for Japan's semiconductor industry, Mr Hajime Sasaki, NEC's vice-president in charge of semiconductors, appears surprisingly relaxed about the group's prospects. **Page 18**

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Leifheit	507	+	10	Fin Poliet	555	+	32
Porsche	478	+	18	Gaumont	544	+	49
Falls				Schneider	895	+	18
Asko	665	–	50	**Falls**			
Hochtief	1175	–	26	Canal +	1280	–	38
Kaufhof	470	–	13.8	Elf Sanofi	995	–	15
Rheinelektra	1002	–	23	UAP	565	–	20
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Carnival Cruise	38½	+	⅝	Mishima Paper	359	+	49
Falls				Nippon Housing	320	+	35
Intel	116⅞	–	3⅛	Wako Secs	780	+	76
Micron Tech	24¼	–	3⅝	Wako Secs	494	+	54
Pfizer	58¼	–	1⅛	**Falls**			
Promus	69¾	–	2¾	Sumikura Ind	5890	–	500
Texas Insts	59⅞	–	2½	Toyo Elec	487	–	27

New York prices at 12.30.

LONDON (Pence)							
Rises				WatesCoftLon	48	+	5½
Barr & WAT	488	+	30	Windsor	19	+	4
Br Bloodstock	54	+	11	**Falls**			
Celestion	129	+	9	Boots	506	–	11
DerwentValley	393	+	30	Campari	220	–	61
EMAP	349	+	16	Clyde Pet	52½	–	7½
EnterpriseOil	504	+	12	Hartstone	138	–	13
Frogmore Ests	391	+	20	Hi-Tec Sports	40	–	9
Gestetner	123	+	7	Molynx	19	–	6
Menzies (J)	471	+	20	Simon Eng	106	–	8
NurdinPeacock	218	+	16	Wellcome	902	–	23
Sheffield Ins	163	+	15	Whitbread A	472	–	12
Spandex	365	+	23				
Warner Ests	205	+	12				

Deutsche Bank rethinks stake in Daimler-Benz

By David Waller in Düsseldorf

MR RONALDO Schmitz, a Deutsche Bank director responsible for corporate finance, yesterday said that Daimler-Benz and Deutsche Bank had decided it was inappropriate for the bank's stake in the industrial group to stay at 28 per cent.

However, Mr Schmitz told a conference of international investment managers in Düsseldorf there were no immediate plans to reduce the holding.

"There are those in the bank [Deutsche Bank] who may feel sorry not to have got out [of Daimler-Benz] when the price was better," said Mr Schmitz.

The Deutsche Bank, as Germany's biggest bank, is at the centre of the German system of corporate governance. Its board directors have more than 100 seats on supervisory boards and its influence is consolidated by a network of industrial holdings.

While making one of the most outspoken contributions to the debate over German corporate governance to have come from a senior member of the German corporate establishment, Mr Schmitz said German companies should transform their approach to shareholders.

If they did not take greater account of shareholders' interests, German industry could face dire consequences in the 1990s as it stood on the brink of "the most significant industrial reconstruction since the second world war". This restructuring can only be achieved with the help of foreign capital, he warned.

Mr Schmitz, a former finance director of BASF, the large German chemicals company, said German companies traditionally put the interests of shareholders low on the list of management priorities. This was perhaps understandable in the 1980s, when German companies generated so much cash that they could finance all their investments from internal resources.

But the era of "over-capitalised" companies was over and German companies would now have to compete more aggressively on international capital markets to finance the reconstruction ahead. Mr Schmitz said companies should not pay lip service to the idea of shareholder value, they should take a more hard-nosed attitude to the way they managed their assets.

He made a call for foreign institutional investors to gain representation on supervisory boards – at present Anglo-American investors are not represented.

Mr Schmitz said Deutsche Bank was in principle prepared to cut its industrial holdings to a lower threshold.

He said he welcomed the abolition of shareholder voting restrictions in place at a number of large German companies.

OCP consortium set deadline to top Gehe's FFr2bn bid

By William Dawkins in Paris

A FRENCH consortium seeking to outbid Gehe, the German medicines group, for control of Office Commercial Pharmaceutique, France's largest medicines wholesaler, was yesterday given a deadline of April 9 to beat the German FFr2.12bn ($370m) offer.

The time limit is a consequence of the Paris stock exchange's decision yesterday to grant legal clearance to Gehe's controversial bid for OCP.

The German offer, worth FFr800 per share for at least 50.01 per cent of the fully diluted equity, will be open from today until April 16, said the SBF stock exchange association.

Under French takeover law, any counterbid must be launched five trading days before the close, in this case April 9.

Gehe announced a friendly offer last month, with the support of Mr Jean-Pierre Duché, OCP's chief executive.

However the group's largest single shareholder, the Bourély family, with 15 per cent of the equity, subsequently opposed the Gehe offer and has been trying ever since to mount a French counterbid.

The government has lent advice but denies having assisted the French consortium.

OCP's FFr33bn annual turnover gives it 43 per cent of the French market for drugs supplies to high street chemists, making it an important player in pharmaceuticals marketing.

Potential members of the counterbidding group include Rhône-Poulenc, the state-owned chemicals group, other French drugs companies, Coopération Pharmaceutique Française, a distributor of medical equipment and pharmaceutical supplies, and leading investment banks.

The consortium has been hampered by its lack of a leader prepared to take operational and management charge of OCP.

However, its members are discussing how to share out responsibilities and maintain they have a good chance of winning control.

The SBF said the bid closure deadline might be extended because of a legal appeal against a separate clearance for the Gehe offer granted by the CBV stock exchange regulator.

Hoogovens omits dividend again as losses grow 10-fold

By Ronald van de Krol in Amsterdam

STEEP PRICE cuts and a stream of cheap imports from eastern Europe helped push Hoogovens, the Dutch steel and aluminium group, into heavy losses in 1992. This has forced the company to omit a dividend for the second consecutive year.

Hoogovens' net loss widened to Fl 595m ($318m), a 10-fold increase from its 1991 loss of Fl 51m.

More than half of the loss was due to after-tax provisions of Fl 370m which were taken to pay for job cuts and write-offs.

Although first-half losses in 1993 are likely to match the deficit seen in the 1992 second half, the company expects to see a turnround in the downward trend in the course of the first six months, thanks to its own cost-cutting efforts as well as to firmer prices and rising demand in the market.

Mr Maarten van Veen, chairman, said Hoogovens would be able to ride out Europe's latest steel crisis "under its own steam".

Price increases for steel announced in January were holding, a development which he described "as very good news but something that was badly needed". In 1992, steel prices slumped by 6 per cent, taking the cumulative decline since 1989 to 20 per cent.

Yesterday's figures were less gloomy than some analysts had feared, and Hoogovens' shares closed up 9.2 per cent at Fl 27.30.

In steel, losses widened to Fl 234m from Fl 98m. The aluminium sector, badly hit by a flood of primary metal from the former Soviet Union, swung into a loss of Fl 162m from a marginal profit of Fl 3m a year earlier.

The 1992 losses helped push down shareholders' equity to 21.2 per cent of total assets from 27.4 per cent in 1991.

The company aims to strengthen its finances by reducing inventories and deconsolidating some non-core activities, either by divesting or hiving them off into partnerships. It gave no details but cited the example of its recent venture in scrap metal with Klöckner of Germany.

Hoogovens will also use part of its Fl 1bn stand-by credit facility from ABN Amro and Rabobank towards meeting up to Fl 700m in 1993 loan redemptions. The credit facility, formed in 1986, has not been used until now.

US bankers licked their wounds and looked south, writes **Stephen Fidler**

Exposure to Latin America comes full circle

A decade after they began a retreat from the region, the New York banks are again marching into Latin America. This time, they insist, things will be different.

The banks say they are out of the business of making medium-term dollar loans to Latin governments. If Latin America's economic renaissance goes wrong again, the New York banks will face disappointment but not disaster.

A region-wide shift in economic policy has brought the banks back. Governments have opened economies to outside competition, brought budget deficits more in check and placed more reliance on the market. Lower inflation and a resumption of economic growth have followed in most countries. Debt burdens have eased following sharp falls in US interest rates and the Brady initiative launched by the US government in March 1989.

The Brady debt reduction plan marked the psychological turning point for banks in Latin America. Until this point, says Mr David Berry, director of research at bank analysts Keefe Bruyette and Woods in New York, "the correct approach was to continue to reduce exposure to Latin America". After five years of almost unremitting decline, the secondary market price of the old debt began to rise.

In the end, says Mr Berry, the banks probably took excessive write-downs on their old debt. Citicorp, the bank with biggest exposure, has moved $400m out of its third world debt reserve into its commercial reserves in the last five quarters.

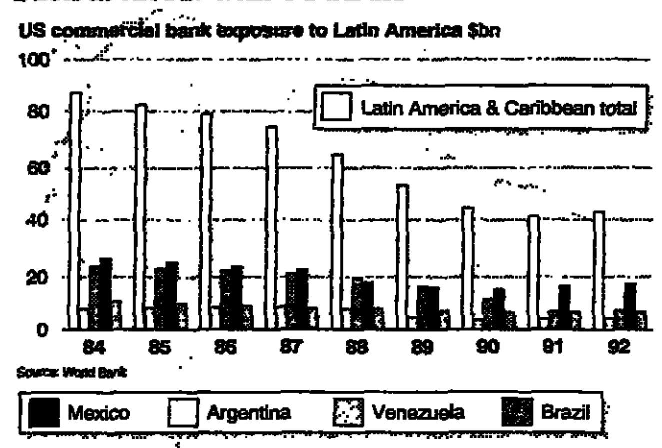
For Citicorp, "Latin America is the largest single contributor as a region to this bank's earnings", says vice-chairman Mr William Rhodes. Last year, pre-tax profits from Latin America reached $1.35bn, compared with $475m from Europe, Middle East and Africa, $605m from Asia-Pacific and a loss of $1.01bn for North America.

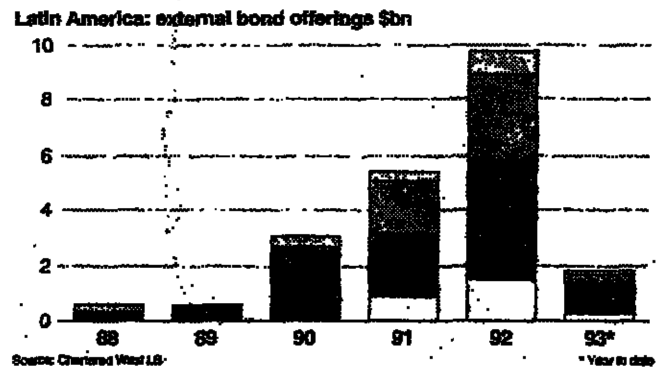
This has vindicated, he says, the decision not to sell its Latin American loans into the secondary market. Instead, the bank sought to "work-out" the loans, for example, convert them into equity.

Citicorp is unusual in having a large retail banking and local currency lending business in the region. In some countries, it is the only foreign bank with such a franchise. Only one other east coast bank – Bank of Boston – has a traditional local currency business in the region, and that is much smaller.

According to Citibank officials, its proximity to potential clients in the region gives the bank a competitive edge in other areas: corporate finance, capital market activities and project finance. The bank has, for example, a mandate to raise $1.8bn in project finance for British Petroleum's Cusiana development in Colombia.

Back in favour with US banks





THE rediscovered enthusiasm of New York banks for Latin America is not yet shared by most other banks that suffered at their side during the 1980s debt crisis. Non-US banks, in particular the Germans and Japanese, for tax reasons were slower to sell off bad loans and will be slower to return, if they ever do.

In 1992, German bank and US commercial bank exposure to Latin America was roughly equal at about $37bn: seven years earlier, US commercial bank exposure at more than $80bn was five times that of the German banks. Others, such as the UK clearing banks have, by and large, become more domestic in focus during the 1980s.

In delivering these services, the bank is hampered by a low debt rating: its A-minus senior debt rating from Standard & Poor's compares with JP Morgan's AAA and Bankers Trust's AA. The ambitions of these two banks lie explicitly with "investment banking", which means they have no interest in lending money from their own balance sheets.

Morgan has about 100 professionals involved in corporate finance and mergers and acquisitions in Latin America, not including those working in trading and sales. Another 20 work on research. In the 1980s, "we decided that the new business would not be to loan money but to help our government and private sector clients in other ways," says one Morgan official.

The strategy lays emphasis on industry specialisation of its bankers. Observers reckon it has been successful in cultivating contacts among investment institutions, which commercial banks traditionally lack.

At Bankers Trust, Mr Neil Allen, managing director in charge of global emerging markets, outlines some similar objectives. "Our focus is on capital markets, mergers and acquisitions, local trading, special situations and we'll also look at equity investment for our own account."

The bank is positioning itself for growth in domestic capital markets. It owns a brokerage house in Argentina and has plans to own one in Chile; it has already underwritten domestic equity issues. It is willing to make equity investments itself, in publicly-traded or private companies and it is offering risk management advisory services and mergers and acquisitions advice.

However, bankers admit that offering advice is often labour-intensive and expensive; the real advantage it gives is often a privileged position in the underwriting of securities.

The banks have moved into the underwriting business as a natural extension of the secondary-market trading activity in old bank loans. Chase Manhattan's renewed interest in Latin America has been based on a strong debt trading operation; Chemical, having taken over Manufacturers Hanover, is also a strong trading house.

There have been questions over the longer-term sustainability of an approach that relies on trading and underwriting Latin bonds. Mr Stephen Dizard, managing director at Salomon Brothers, calculates that total underwriting fees on $20bn of new Latin bond issues a year amounts to $200m-$300m. With no house having more than a 10 per cent market share, this suggests *gross* underwriting revenues for the market leader of $25m. As a series of poorly-received Latin bond issues last year showed, underwriters can lose money as well as gain.

Some believe the market is in transformation. Mr Larry Brainard, an economist at Goldman Sachs, says: "The business is changing in a fairly fundamental way and it's moving away from trading and commercial bank structured finance deals and more to a market oriented towards institutional investors." This would give Wall Street firms an advantage over the banks, most of which lack strong links with investment institutions.

Others disagree. Ms Kathy Galbraith, a senior vice-president at Chase, believes debt trading will continue as an important source of income for banks: "I don't see it as a market beginning to decline. Volume will continue to increase." Ms Galbraith admits though that Chase, a prominent underwriter of Latin bonds, and others with no broad equity business face an uphill fight in underwriting share issues.

Ms Diane Glossman, a bank analyst at Salomon Brothers, believes the balance of power lies for now with the commercial banks. "Commercial banks have the relationships with issuers and relationships matters a lot, more perhaps than price. When issuers get more confident, companies can afford to be much pickier about price and then that picture could change."

Ethical aim helps UK bank return to profit

By John Gapper, Banking Correspondent

THE Co-operative Bank's marketing campaign to brand itself as an "ethical" bank helped raise its retail deposits by 13 per cent last year, and return a profit after two years of losses.

The UK bank, which has 2.3m customers, made a pre-tax profit of £9.8m ($14m) in the year ending January 1993 against a £5.9m loss the previous year. The value of customer deposits rose above the value of loans for the first time in 20 years.

The bank announced in May that it would not become involved with tobacco companies, or those that pollute the environment. It has also taken a stand against blood sports, factory farming and the testing of cosmetics on animals.

Mr Terry Thomas, managing director, said it had appealed to some of the most potentially profitable bank customers. These were white-collar and managerial employees aged between 25 and 40. "We are aiming for those people because we think they are the market place of the future. We know the question of ethics has a ring to them because they are concerned about issues like protecting the environment," he said.

Half of the Co-op's new customers since May mentioned the ethical stance as a motive for opening an account.

The bank, which is wholly owned by the Co-operative Wholesale Society, said the month before sterling left the exchange rate mechanism last October that it would not speculate against sterling. Mr Thomas said foreign exchange profits of £450,000 reflected this policy.

Two German engineering groups ahead against trend

By Christopher Parkes in Frankfurt

THE FLOW of black news from German industry was interrupted yesterday by reports of rising profits and pay-outs from two engineering groups.

Barmag, which claims to be the world's leading synthetic fibre machinery maker, offered a DM2.50 bonus on top of a repeated DM10 dividend.

Vögele, a specialist in roadbuilding equipment, proposed a DM2 increase to DM12 after a 20 per cent increase in net profits in 1992.

Against a background of deepening slump elsewhere in engineering, Barmag benefited from strong demand for exports. Net earnings rose by a third to DM36m ($22m) on sales up 20 per cent at DM1.18bn, the company said yesterday.

The group, which exports more than 80 per cent of its output, reported especially strong growth in Asian markets. Incoming orders almost doubled last year to DM1.53bn and, according to an interim report, further improvements are expected in 1993. At present, Barmag has nine months' orders in hand, around double the level in engineering at large.

Vögele increased net profits 20 per cent to DM3.6m.

The company has continued to enjoy the fruits of the infrastructural building boom in eastern Germany and exports more than half its road construction machines.

While it expected a further satisfactory result for the current year, it noted that orders had fallen, particularly in the last quarter of 1992.

It was becoming more difficult to sell in Europe, especially Spain, although growth was still strong in Asia, the company said.

Uni fined NKr3.2m for rule breaches

By Karen Fossli in Oslo

UNI STOREBRAND, Norway's biggest insurer, has been ordered by the Oslo bourse to pay a record NKr3.2m ($450,000) fine for breaching information reporting rules seven times during the company's raid on Swedish rival Skandia Forsakrings.

A 155-page report condemns Uni's actions during the failed raid on Skandia in the period August 15 1991 to August 25 last year.

Uni, during 1991 and 1992, built a 28.3 per cent stake in Skandia in spite of a law forbidding Norwegian financial institutions from owning more than 10 per cent of foreign financial concerns without a special concession.

Uni borrowed heavily to finance the acquisition in an attempt to force the Swedish insurer into a Nordic pact.

Uni last year collapsed into the hands of public administrators after suspending payments to creditors.

The Uni affair has become known as Norway's biggest corporate scandal. The finance minister is due to issue a report to parliament on the affair later this year, and a public commission is soon to be named to launch another investigation into the scandal.

The company's board has two weeks in which to appeal the ruling.

Separately, despite Uni shareholders' complaints, the bourse decided to uphold its earlier decision to de-list the company indefinitely.

Correction

Deutsche Babcock

The Financial Times last Tuesday incorrectly reported the forecast dividend of Deutsche Babcock. The company expects to pay a dividend of DM5 ($3) on common stock for the fiscal year ending September 30 1994.

Removing catastrophe from crisis

Paul Abrahams examines attempts to stave off the gloom at Bayer

BAYER, the first of the German chemicals giants to report full-year results for 1992, yesterday painted a gloomy picture of the European economy's outlook.

Mr Manfred Schneider, the chairman said: "The start of the year has been anything but satisfactory. Crisis is a productive state. We just have to remove the sense of catastrophe that goes with it."

Preliminary figures for the first half of March suggested that month-on-month sales figures had stabilised, however. Over the year, Bayer expected a fall of German sales of between 5 per cent and 7 per cent.

Worldwide sales for the year would improve on the 11 per cent fall during the first two months, he said. But he cautioned that only last autumn Bayer had expected 3 per cent growth in group sales for 1993.

Bayer announced a reduced working schedule for 3,000 employees following a collapse in demand for dyes, coating raw materials and polyurethanes. Chemicals plant operating rates fell below 70 per cent during February, the first time they had done so since the early 1980s.

The company is looking for the first time at possible swaps or joint ventures with other companies, said Mr Schneider. Candidates included polyurethanes, polymers, titanium dioxide, chromium, dyestuffs and organic chemicals.

"This is a change of mentality. In the past, we have been reserved about such options, but we are now open to this type of deal – they are a good method for dealing with structural problems," said Mr Schneider.

At the same time, he said, the group intends to increase its capital investment in Asia, particularly China, Taiwan and Indonesia.

The company's position had been exacerbated by the German health reforms, introduced in January. Their effects had been far worse than expected.

He warned: "If Germany really does become a country of generic drugs and cut-price medicines, there is no real future for research-based healthcare companies in this country."

Deteriorating conditions in Germany could force Bayer to concentrate abroad, he said, primarily the US and Japan.

French bank rises 9% unexpectedly

By Alice Rawsthorn in Paris

CREDIT National, the French corporate banking group, saw net profits rise by 9.1 per cent to FFr585.9m ($103.6m) in 1992 from FFr537.2m in 1991, in spite of the pressures on France's financial sector.

In recent weeks a series of French financial institutions have announced disappointing results for 1992, when the banking sector was affected by weak demand for credit, higher borrowing costs following the September currency crisis and exposure to the precarious property market.

Crédit National, by contrast, fared well, in spite of having to increase provisions – mainly because of the need to make write-downs on its property portfolio and investments.

The group managed to produce a healthy 15 per cent increase in operating profits to FFr725m.

The group also benefited from a positive contribution from its partnership agreement with IKB Deutsche Industriebank, the German corporate banking group.

Crédit National and IKB are expanding their partnership into a cross-shareholding agreement under which each would take 5 per cent of the other's equity.

Lufthansa's marketing director quits suddenly

LUFTHANSA'S passenger marketing and sales director resigned abruptly yesterday, writes Christopher Parkes.

Mr Ernst-Adrian von Dörnberg, 40, and a full board member for just over two years, quit during a meeting of the state-controlled airline's supervisory board in Cologne.

No reason was given. "The meeting is still going on," a spokesman said last night. No successor was named.

Mr von Dörnberg may have fallen victim to in-fighting which is believed to have broken out in the wake of a critical study of Lufthansa carried out by the McKinsey management consultancy.

In contrast to the management's forecasts that its current cost-cutting and reorganisation programme would bring the airline back into profit by 1994, the report said it was doomed to making heavy operating losses until at least 1996.

Marley profits decline by 67% to £8m for year

By Andrew Taylor, Construction Correspondent

THE REVIVAL in the UK housing market is starting to boost sales of some building materials, according to Marley, the UK construction products group which yesterday announced a 67 per cent fall last year in pre-tax profits.

Profits after exceptional provisions of £10.4m slumped from £25m to £8.1m ($11.5m), reflecting the deep recession in the UK construction industry last year.

UK profits fell from £10.3m to just £1.2m, after a £2.3m second-half loss. Up to a third of group sales are generated from the UK housing market, according to Mr David Trapnell, chief executive.

US profits by comparison almost doubled from £3.9m to £7.7m. The German residential market showed little sign of flagging as far as Marley's products were concerned, said Mr Trapnell. The DIY market in eastern Germany remained particularly strong and profits in western Europe rose from £12.4m to £12.9m last year.

Net borrowings as a percentage of shareholders funds, following write-downs and currency movements, rose from 41 per cent to 57 per cent. Marley generated a positive operational cash-flow last year.

Grolsch climbs 3.6% over year

By Ronald van de Krol

GROLSCH, the Dutch brewery group, posted a 3.6 per cent rise in net profit in 1992, with the recession in the UK and the economic slowdown in Germany overshadowing more buoyant results in the Netherlands and on other export markets.

Net profit increased to Fl 43.4m ($23.2m) from Fl 41.9m in 1991, when the rate of profit growth had totalled 10.6 per cent. Volume sales expanded domestically, in the US and in other export markets.

But in the UK, where it acquired Ruddles, the brewer, in early 1992, the company faced reduced beer volumes and adverse currency movements caused by sterling's autumn devaluation. In Germany sales volume also fell under the combined influence of the economic downturn and the winding down of the "B" brands of the Wicküler group, acquired by Grolsch in 1991.

The annual dividend is to be raised by 3.8 per cent to Fl 5.40, which compares with the previous year's 10.6 per cent rise.

The company also announced plans for a five-for-one share split.

Group operating profit rose by 15.3 per cent to Fl 64.3m. But the acquisitions of Ruddles and investments in Wicküler added a net Fl 8.9m to interest charges. Overall, Grolsch incurred net financial expenses of Fl 3.6m, a reversal of the previous year when it had posted net financial income of Fl 5.2m.

Results in 1993 are expected to match those for 1992, provided that there is no deepening of the recession or adverse movement in exchange rates, Grolsch said.

East Asiatic posts loss of DKr1.18bn

THE EAST Asiatic Company, the shipping and international trading group, faces an urgent need to cut debt and restructure its capital this year, according to Mr Michael Fiorini, chief executive, writes Hillary Barnes in Copenhagen.

The company fell into the red last year with a loss of DKr1.18bn ($184m), compared with a profit of DKr245m in the previous 12 months. The loss cuts EAC's equity capital to DKr1.75bn last year, from DKr3.14bn in 1991. EAC will not pay a dividend this year after a 9 per cent pay-out in 1991.

The group made a primary operating loss of DKr55m, compared with a profit of DKr506m in 1991, although sales increased to DKr17.30bn from DKr15.63bn. After net financial expenditure, which increased to DKr615m from DKr99m, a profit of DKr281m in 1991 was turned into a loss of DKr613m.

The final net loss figure was arrived atreached after income from disposals and write-offs, and loss provisions for businesses that have been or will be discontinued.

The group's result in the current year would remain unsatisfactory, said the annual report, "but the plans which have been made ... should ensure that EAC will strengthen its financial position in the course of 1993".

CBR holds dividend at BFr270

CBR, the Belgian cement group, proposed an unchanged net dividend of BFr270 ($7.88) a share after a sharp drop in 1992 earnings, Reuter reports from Brussels. The company said earlier its consolidated net profit per share fell to BFr606 from BFr797 in 1991.

CBR said the 1992 profit fall was mainly due to the recession in the US and to a lesser extent to a slump in the Dutch construction industry.

CBR is 43.2 per cent owned by Belgium's flagship holding company, Société Générale de Belgique.

NEWS IN BRIEF

■ RENAULT, the French state-owned carmaker, said it would extend its co-operation with Volvo in Switzerland, Reuter reports from Paris. Renault (Suisse) and Volvo Automobile (Schweiz) would develop synergies to increase sales and profitability and cut costs, Renault said.

A joint structure would be created to deal particularly with spare parts, after-sales service, marketing, financial services and administration.

■ RHEINMETALL BERLIN, the engineering and armament group, said group pre-tax profit in 1992 would be significantly below the DM159.7m ($96m) in 1991 due to price falls, the cost of restructuring and lower financial earnings, Reuter reports from Berlin.

In an interim report to shareholders, Rheinmetall also said 1992 profits at Rheinmetall Berlin – as a management holding – were comparable with the previous year due to the time delay in dividend payments.

■ MERCEDES-BENZ, the automotive division of Daimler-Benz, is interested in restarting assembly of its cars in the Philippines following changes to import regulations, Reuter reports from Stuttgart. Mercedes said it was still uncertain whether a new plant would be built and when assembly could begin. Talks are under way with the government.

Thomson lifts annual earnings 15%

By Bernard Simon in Toronto

EARNINGS of Thomson Corp, the Canadian-owned travel and publishing group, rose by 15 per cent last year before taking into account previously-announced charges against its UK and North American newspaper operations.

The charges, totalling US$170m, pulled net earnings down to $166m, or 30 cents a share, from $292m, or 53 cents, in 1991, but dividends remained unchanged.

Revenues rose to $5.98bn from $5.59bn.

The main boost to last year's earnings came from the information and publishing division, whose operating profit climbed by 10 per cent to $401m, equal to 56 per cent of the total.

New acquisitions contributed a 3.6 per cent increase, with the rest coming from growth of existing businesses. The company said overall operating margins were maintained.

The information and publishing business accounted for the entire $336m spent by Thomson on acquisitions last year, which was double the 1991 acquisition budget.

The company said that the results of its two biggest purchases, Institute for Scientific Information and Micromedex, both exceeded expectations.

UK regional newspapers achieved "substantial growth" in profits and margins. But the UK-based free newspapers incurred significantly higher operating losses. Thomson is planning to sell or close a number of its free sheets, and $60m of the special impairment charge relates to these titles.

Thomson Travel, the UK's biggest tour operator, reported an increase in operating income to $115m from $101m. The figures include profits of $12m and $5m respectively from the sale of aircraft by Britannia Airways.

Thomson Tour Operations sold 3.3m holidays in 1992, up 10 per cent from 1991. But fierce discounting last summer pushed down profits "substantially".

The company said the market for summer 1993 holidays remains "as competitive as that experienced last year". TTO said it expected to sell a similar number of holidays as last year, with market share remaining about the same.

In the light of the recent hostile takeover bid for Owners Abroad, the second-biggest tour operator, Thomson Travel affirmed its policy of remaining the leader "whether measured by size, quality or profitability" in all markets in which it operates. "We will not allow our competitive position to be eroded," the company said.

Owners Abroad this week succeeded in staving off the protracted £290m ($412m) bid by Airtours. The travel industry had predicted that Thomson would launch a ferocious price war had the Airtours bid succeeded.

US bank pays $225m for Chicago options firm

By Alan Friedman in New York and Laurie Morse in Chicago

NATIONSBANK, the large US regional banking group formed in 1991 by the merger of C & S Sovran and NCNB, yesterday announced a move into the booming financial derivatives market.

NationsBank, the fourth-largest US banking group, said it had acquired – for $225m in cash – Chicago Research & Trading Group, one of the biggest proprietary options market-making and trading firms.

Mr Hugh McColl, chairman of NationsBank, said the deal would significantly enhance the bank's ability to serve its corporate and institutional customers.

The bank said the acquisition would enable it to offer a broad array of risk-management products.

CRT, founded in 1977, has 750 employees and $250m in capital. It owns more than 150 memberships on 19 futures and options exchanges around the world and trades about 75 different options and futures contracts, and needs to bolster its capital base.

The purchase allows CRT to compete directly with the investments banks that dominate over-the-counter trading of derivative products such as interest rate and currency swaps. CRT will also benefit from NationsBank's client list.

Mr Philip Hubbard, who runs CRT, said an increasing portion of derivatives trading was now taking place away from exchange trading floors.

In 1992 NationsBank recorded $1.15bn of net earnings, more than five times the previous year's level.

The bank's earnings had been held back in 1991 by heavy merger-related restructuring charges and provisions for bad and doubtful debts.

Aga ahead 3% and sees further improvement

By Christopher Brown-Humes in Stockholm

AGA, the Swedish industrial gas group, saw profits after financial items rise 3 per cent in 1992 to SKr1.48bn ($189m),z and it predicted a further improvement in its performance this year.

The dividend is being increased to SKr9 per share from SKr8.50.

Turnover fell to SKr11.9bn from SKr12.7bn, despite improved sales from both its core gas operations and Frigoscandia, its cold storage and food processing business.

The drop reflected the group's 1992 merger of its Uddeholm energy unit, which contributed SKr1.37bn to 1991 sales, with Swedish power group Gullspangs Kraft. Aga has 34 per cent of the capital of the merged group, which it reports as an associate company.

Group operating income fell to SKr1.29bn from SKr1.46bn in 1991 when the group's energy operations made a SKr118m contribution. However, financial income amounted to SKr188m, compared with SKr27m in costs last year.

Despite recession in many markets, and particularly in the Nordic countries, gas sales rose 5 per cent to SKr8.97bn and operating income was up 2 per cent at SKr1.16bn.

Frigoscandia saw sales climb 3 per cent to SKr2.91bn, but operating income dropped 35 per cent to SKr130m. This reflected fierce competition and reduced margins within the group's food process systems unit.

Aga's share of Gullspangs Kraft's profits amounted to SKr145m.

The group's confidence for 1993 is based on its rationalisation programme, the weakness of the Swedish krona, and the development of new areas of application for its products.

US cruise ship operator in European move

By Nikki Tait in New York

CARNIVAL Cruise Lines, the Miami-based company which claims to be the world's largest cruise ship operator in terms of passengers carried, said yesterday that it was considering a "strategic alliance" with Epirotiki Lines and Dolphin Cruise Line.

Epirotiki operates 11 ships, primarily in the Mediterranean and around the Aegean. Dolphin is a smaller, Florida-based operator, with three vessels.

The three businesses have already agreed to form a new company, in which each will hold a one-third interest. Carnival will sell its Mardi Gras cruise ship to the venture. The ship, renamed the Olympic, will be deployed in the eastern Mediterranean and operated by Epirotiki.

Carnival, quoted on the New York Stock Exchange, operates 19 ships, and is biased towards the Caribbean, although it also offers packages to Alaska and other parts of the world. It has been a leading force in the trend towards "mega-ships," capable of carrying more than 2,000 passengers.

Companies seek unity on Unix

By Louise Kehoe in San Francisco

A GROUP of leading computer companies yesterday announced plans to develop a "unified" version of Unix, the computer operating system software that has long been touted as a standard for "open systems" – computers that can share software and data. The move follows years of industry in-fighting.

The group includes IBM, Hewlett-Packard and Sun Microsystems as well as software companies The Santa Cruz Operation, Novell and Unix System Laboratories, a unit of AT&T.

It said that it would work to establish software standards. There are numerous incompatible versions of Unix, and the fragmentation has caused confusion, stunting the growth of open systems.

By establishing a standard version of Unix, the group aims to encourage software developers to write new applications programs for Unix, thus making their computer and software products more attractive.

An operating system is the software that controls the basic functions of a computer. Applications software, such as accounting systems or word-processing programs, are generally designed to run on a single operating system and must be rewritten if they are to run on a different one.

Over the past few years there has been a series of failed efforts by industry groups to establish a single standard version of Unix.

This latest group may be more successful, however, because it includes former antagonists, analysts said.

The group may also be more highly motivated to work together because Unix faces a new challenger in Microsoft's Windows NT, a powerful computer operating system that is expected to be launched in May.

USG reaches agreement with creditors

USG, the parent company of US Gypsum, North America's largest gypsum producer, filed a pre-packaged Chapter 11 bankruptcy reorganisation plan yesterday which it said would cut its debt obligations by about $1.4bn and reduce annual interest requirements by about $200m, Reuter reports from Wilmington.

It said the ownership interests of current stockholders would be diluted significantly. The plan also calls for a restructuring of bank debt.

Under a pre-packaged scheme, a company reaches agreement on a restructuring with its creditors before filing for bankruptcy, minimising the time it spends under the authority of the court.

"USG has solicited and received sufficient acceptances to confirm the pre-packaged plan, one of the largest pre-packaged reorganisations to date," said Mr Richard Fleming, USG vice-president and treasurer.

He added that "USG's primary goal is to emerge from Chapter 11 as quickly as possible and to minimise the impact on our employees, our unimpaired creditors and our operating subsidiaries."

USG listed assets of $1.8bn and liabilities of $3.1bn, including $1.7bn in unsecured debt.

Iceland mounts bank rescue

By Christopher Brown-Humes

ICELAND'S government is rescuing Landsbanki, the country's largest bank, through a IKr4.25bn ($68m) support package in the face of the bank's soaring credit losses.

State-owned Landsbanki has suffered badly from the Icelandic recession and in particular from the sharp downturn in the fishing and fish processing industries.

It has set aside IKr5.8bn provisions for credit losses, and its international capital adequacy ratio has fallen below 8 per cent. Results due out in the next two weeks are expected to show a substantial loss.

Half of the IKr4.25bn injection will be in the form of subordinated debt while the other half will be equity.

Effjohn sinks to FM261m loss

By Christopher Brown-Humes

INTENSE competition on its key Baltic sailing routes sent Effjohn, the Helsinki-based shipping group, plunging to a FM261m ($43.21m) loss after financial items in 1992.

The result was also blighted by floating exchange rates, a Finnish travel tax, and heavy interest payments following extensive investments in new tonnage.

The group is scrapping its dividend, after paying FM1.20 a share in 1991 when it made FM4m profit after financial items.

Turnover rose 10 per cent to FM3.73bn, due to increased passenger traffic.

The group's main operation, Silja Line, suffered a loss because of severe competition on its passenger routes between Finland and Sweden.

Brazilian pulp group back in the black

By Christina Lamb in Rio de Janeiro

ARACRUZ Celulose, Brazil's leading pulp producer, recorded profits last year of $18m – taking the company back into the black after heavy losses in 1991 – in spite of the country's continuing economic difficulties.

Much of the turnround was due to a large increase in sales from 763,000 to 977,000 tonnes, bringing in $460m and representing 23 per cent of world production in bleached eucalyptus pulp. More than 80 per cent of output was exported.

Mr Mauro Molchansky, finance director, said the company was helped by an average 7 per cent increase in world prices and a reduction of financial costs through an injection of capital of $270m, half raised on the Brazilian stock market and half through ADRs in New York.

● Sadia, a leading Brazilian agribusiness concern, suffered a decline profits to $28.3m, down by about 40 per cent on the 1991 figure of $45.8m, writes Bill Hinchberger in Sao Paulo.

Sadia is Brazil's leading producer of poultry, beef, and industrialised meat and pork products and second in soya output.

Minorco shake-up continues as another chief resigns

By Kenneth Gooding, Mining Correspondent

ANOTHER SENIOR executive has suddenly quit Minorco, the Luxembourg-based overseas investment arm of the Anglo American Corporation of South Africa.

Mr Geoff Mortimer, 49, was recruited two years ago as managing director of Minorco's *industrial minerals division* after the company paid $108m for the Elbekies sand and gravel business near Berlin in former east Germany.

His departure follows Minorco's top-level shake-up in December. Then, Mr Roger Phillimore, *a joint managing* director, left, having lost a contest for the chief executive's role to Mr Hank Slack.

Minorco made no mention of the departure of Mr Mortimer, formerly managing director of ARC's UK aggregates operations, when it released its half-year results yesterday.

These revealed a sharp jump *in operating earnings* from the industrial minerals business – from $0.3m to $23m in the six months to December 31.

Minorco said Mr Mortimer had "gone back to consulting. We are very sad to see him go." He will be replaced by another former ARC executive, Mr John Draper.

Minorco reported that its financial income, plus earnings from equity-accounted investments, more than offset its operating losses in the half-year to December 31.

Earnings before extraordinary items were US$101.4m, or *60 cents a share, 3 per cent* ahead of the $98m, or 58 cents, in the first-half. This was in line with many analysts' expectations.

The interim dividend is boosted by 6 per cent, from 18 cents to 19 cents a share.

After spending more than $1bn in the past five years, Minorco still has net cash and *short-term investments of just* over $1bn. Interest from this, less corporate and exploration expenses, contributed $59.6m in the half-year, down from $65.5m, and Minorco's *share of* equity-accounted investments brought in $52.6m, up from $44m.

Minorco's gold operations, *mainly Independence Mining* in Nevada, suffered an operating loss of $13.1m, compared with a profit of $4.2m, and the operating loss at the Terra fertiliser business in the US rose to $23.2m, from $11.5m. The Hudson Bay Mining and Smelt*ing base metals subsidiary* increased operating profits from $3.1m to $10.4m.

During the half-year, Minorco spent $104m to take an interest in the Collahausi copper project in Chile, and $127m went to develop existing businesses.

KIO executive quits paper unit

By Tom Burns in Madrid

MR MAHMOUD al-Nouri, chief executive of Grupo Torras, the Kuwait Investment Office's troubled holding company in Spain, has resigned as chairman of the group's paper unit, Torras Papel. His surprise move underlines the increasing uncertainty that surrounds the KIO's Spanish business operations.

Torras Papel, the leading domestic newsprint and writing paper producer, is under severe pressure from two of its *main creditors, Lloyds Bank* and Bank of America, the UK and US banks. It is also facing legal proceedings by Sarrio, the Italian-owned cardboard producer, over outstanding debts totalling Pta8.6bn ($72m).

Quelling rumours that Torras Papel might be forced into *receivership*, Mr al-Nouri said that the paper producer was "on the right track" to financial recovery and that he had left the company in order to "concentrate on the overall strategy of Grupo Torras."

However, Lloyds and Bank of America are insisting on the rapid payment of overdue interest and Lloyds, which is owed *Pta250m on a Pta2.5bn* loan, has already obtained a court order in Spain embargoing Torras Papel assets.

Payment of the interest is *understood to be dependent on* the sale of Grupo Torras' insurance unit, Amaya, but this unit has, in turn, been embargoed by the regional government of Catalonia, which is claiming unpaid back taxes.

Lloyds and Bank of America have *part of their loans to Torras* Papel secured by shares in the Kuwaiti group's food company Ebro Agricolas, but plans for the latter's sale appear to have stalled.

Sarrio's lawsuit centres on two outstanding instalments *owed by the Kuwaiti group* following the purchase by Torras Papel of Sarrio's paper assets in February 1991.

Jardine motor subsidiary ahead 145%

By Simon Holberton in Hong Kong

JARDINE International Motor, the car distribution arm of the Jardine group, yesterday surprised the Hong Kong market with a 145.5 per cent rise in net 1992 earnings to US$59.4m, from US$24.2m in 1991.

Turnover advanced 44 per cent to US$910.9m.

The directors recommended a final dividend of 4.95 cents per share, making 6.01 cents for the year – nearly 52 per cent up on 1991.

Mr Simon Keswick, chairman, said the record profits resulted from "excellent sales" of Mercedes-Benz passenger cars in Hong Kong and China.

The results for these markets reached record levels, led by outstanding sales of the new Mercedes-Benz "S" class models.

NEC heads for red on poor microchip sales

Michiyo Nakamoto analyses problems facing Japan's leading semiconductor producer

FOR a businessman who has just struggled through one of the *worst years for Japan's micro*chip industry, Mr Hajime Sasaki, NEC's vice-president in charge of semiconductors, appears surprisingly relaxed *about the company's prospects.*

Earlier this month, NEC forecast it would plunge into the red in the year to March 31. Due to a downturn in demand *for its products*, including semiconductors, NEC said it would incur consolidated pretax losses of Y40bn ($338m). As recently as last November, it forecast profits of Y10bn.

During the year, NEC lost its ranking as the company with *the largest share of the world* semiconductor market to Intel, the US company, according to Dataquest, the market research and consultancy group.

In fact, NEC's plight contrasts sharply with the improving fortunes of Intel, which last year increased sales by more than $1bn to $5.84bn and pretax profits by 31 per cent to $1.07bn. Motorola, another US company, also had a strong year, increasing semiconductor revenue by 22 per cent to $4.64bn.

The main reason for the hardship faced by Japanese semiconductor companies is as *the steep fall in demand from* the domestic market.

The Japanese market for semiconductor integrated circuits fell by nearly 12 per cent in 1992. In contrast, the US and Asia-Pacific semiconductor *markets grew by about 20 per* cent. "There has never before been such a regional gap in consumption growth," Mr Sasaki says.

NEC depends on its home market for 75 per cent of its sales. "So, even if exports grow, their impact is limited," Mr Sasaki says.

Demand for semiconductors in Japan plunged as the main purchasers – the consumer electronics, vehicle and personal computer (PC) industries – saw sales evaporate with the local economic slowdown.

PC sales fell by 10 per cent in 1992, while television and video tape recorder sales shrank by 8 per cent and 12 per cent respectively, according to the Electronics Industries Association of Japan. Demand for cars has been so weak that Nissan, Japan's second-largest car producer, has been forced to close one of its main plants.

Moreover, the US is expected to increase pressure on Japan to ensure foreign semiconductor manufacturers get a larger share of the Japanese market when market share figures for the fourth quarter of 1992 are announced this month.

The outlook for Japanese semiconductors remains bleak, due to the continuing slump in the consumer electronics industry and in capital investment by domestic corporations.

However, *Mr Sasaki is optimistic* about NEC's prospects. "We expect a 10 per cent increase in worldwide demand for semiconductors." Demand has picked up *strongly for* dynamic random access memory chips (D-Rams), in particular, where NEC has an advantage over other companies.

As research and development costs are large, it pays to be in the D-Ram market only if a company can produce in large volumes. NEC is one of perhaps *five Japanese companies* that does.

Mr Sasaki is also optimistic that the US will not impose sanctions, even if foreign manufacturers fail to attain the 20 per cent market share targeted by the US.

The US and Japanese semiconductor industries have become so closely intertwined that imposing sanctions on Japan would impact on US companies as well, he says.

For example, NEC has a design and manufacturing agreement with MIPS, the US company, on reduced instruction set computing (Risc) chips, a deal with Micron Semiconductor to sell each others' memory products, and is talking to American Telephone & Telegraph about developing quarter-micron *technology for future generation* 256-megabit memory chips.

Hajime Sasaki: surprisingly relaxed about NEC's prospects

NEC announced this month it would drastically reduce production of its own 1Mbit D-Ram and compensate for this by increasing imports from Micron Technology of the US. The move not only helps NEC open up *plant space* for 4Mbit D-Ram production, which is expected to peak next year, but is also aimed at defusing trade friction with the US.

Meanwhile, further alliances are likely between Japanese semiconductor makers as a way of sharing research and development costs.

NEC is also carrying out a programme to halve costs in its semiconductor operations by 1994. This includes designing *products requiring* fewer steps in the manufacturing process, to allow a reduction in factory space and equipment.

However, analysts are asking whether these *steps* are sufficient. Mr Shigeru Yoshinaka, *semiconductor* analyst at BZW, points out that NEC has invested heavily in D-Ram production but, ironically, its relatively lower dependence on *D-Ram revenue* means it is unable to benefit from demand for memory chips to the same extent as its competitors.

NEC, meanwhile, depends *for* about one-third of its semiconductor business on the audio-visual market, which is unlikely to *pick up in the near* future.

While NEC's large size may give it advantages in good times, it also means that, in an *economic* slowdown, the impact is larger. "Being a giant, it needs very big customer bases" *to use up its* capacity, says Mr Mike Jeremy, analyst at Baring Securities in Japan.

It is not easy for a generalist company like NEC *merely* to withdraw from semiconductor products that do not bring high rewards and to focus on where the profits are, Mr Jeremy *points out. If the Japanese* economy fails to pick up, NEC may find that darker days are yet to come.

Comptoirs Modernes up 9.6% against retail trend

By Alice Rawsthorn in Paris

COMPTOIRS Modernes, one of France's larger food retailing groups, last year bucked the trend in the French retail sector to increase net consolidated profits by 9.6 per cent to FFr335m in 1992, from FFr306m in 1991

The group, which owns the Stoc supermarket chain and Commod food stores, saw sales rise by 6.8 per cent to FFr22.6bn in 1992, from FFr21.2bn in 1991, and operating profits increase by 20.6 per cent to FFr623m, from FFr516m over the same period.

Mr Jean-Claude Plassart, chairman, said he was confident about the group's pros*pects for 1993, despite the diffi*cult economic environment. Comptoirs Modernes plans to continue its strategy of opening new stores and modernising old outlets. It plans to invest in its distribution system.

It is also developing the Merca Plus hypermarket chain in Spain, where it opened three new stores last year.

The latest candidate in French retailing for acquisition is Prisunic, a large chain of supermarkets owned by the Pinault-Printemps retail group.

Mixed year for Indonesian pulp

By William Keeling in Jakarta

INDONESIA'S pulp and paper *companies had a mixed 1992*, with two of the top three reporting sharply lower-than-anticipated net profits as they finalised plans to raise new finance.

Although no figures have officially been released, executives *of Indah Kiat*, the largest integrated pulp and paper producer in south-east Asia, say the company made a net profit last year of Rp121bn ($58.6m), *down from Rp159.9bn in 1991.*

Tjiwi Kimia, the country's leading paper manufacturer, has indicated a net profit in 1992 of Rp60bn, down from Rp81.7bn in 1991 and below broker's forecasts.

The best results come from *Indorayon, the country's* second-largest pulp producer, which has told brokers it made a net profit of Rp92bn last year, up from Rp69.9bn in 1991. The company plans to increase pulp production 41 per cent this year to 240,000 tonnes and to bring on stream a 30,000 tonne a year rayon plant.

Indah Kiat and Tjiwi Kimia, both majority-owned by the Sinar Mas conglomerate, plan *a financial restructuring.*

Tjiwi Kimia is close to securing a $110m syndicated loan, led by the International Finance Corporation (IFC), the World Bank's private sector arm. The loan should ease the company's debt burden – last September, it had bank loans and long-term debt of Rp822bn and a 218 per cent debt to equity gearing – by replacing high-interest Indonesian rupiah loans with lower-interest foreign loans. Brokers say a rights issue to provide the IFC with an equity stake is also being considered.

Indah Kiat, which last June had bank loans and long-term debt of Rp691bn and gearing of 48 per cent, *intends to raise up* to $100m through a private offshore placement of bonds with institutional investors, brokers say.

INTERNATIONAL CAPITAL MARKETS

Gilts stage rally as investors reassess impact of Budget

By Richard Waters and Antonia Sharpe in London and Karen Zagor in New York

UK GOVERNMENT bond prices bounced back yesterday from Tuesday's losses as investors reassessed the impact of the UK Budget. Longer-dated gilts, which had lost more than a point the day before, gained most, leading to a further flattening of the UK yield curve.

GOVERNMENT BONDS

Helped by a firmer pound, the market shrugged off the unexpectedly large public sector borrowing requirement of £50bn for next year, content that at least the full-funding rule had been relaxed in order to allow purchases of gilts by banks and building societies to count towards the PSBR.

In addition, the Budget did not fuel fears of rising UK inflation, which helped to keep a firm tone to the gilt market.

Longer-dated gilts gained most, with the yield on the 9 per cent stock due 2011 falling to 8.30 per cent from 8.33 per cent at the opening.

Shorter-dated stock, meanwhile, remained virtually unchanged. This was in spite of a widespread belief that a steeper slope will need to be engineered at the shorter end of the yield curve in order to persuade banks to buy more gilts.

During the day, the Bank of England put more index-linked tap stocks on sale. These were £150m of 2½ per cent stock due 2003 and and £100m of 2½ per cent gilts due 2016.

■ CONTINENTAL European government bond markets eased in cautious trading yesterday following the latest developments in the former Soviet republic of Georgia and ahead of the Bundesbank's council meeting today.

The German central bank does not plan to hold a news conference after the meeting, but traders still expect a half-point cut in its leading interest rates.

German government bonds fell on remarks by a member of the Bundesbank's policy-making board that German inflation remained high, which dampened the hopes of some traders for an interest rate cut today.

The fall in bund prices was steeper at the long end, which saw a drop of just over ¼ point, but the drop in the five-year area was limited to around ⅛ point, traders said. The June bund future on Liffe fell to 95.88 from Tuesday's close of 96.13.

■ DUTCH government bond prices followed their German counterparts lower.

The 7 per cent bond due 2003 fell 35 basis points to 103.18 to yield 6.55 per cent, narrowing the yield gap below 10-year German paper to four from seven basis points. After the close, the finance ministry said that sales of the new Dutch state 10-year bond reached Fl 5.9bn at the end of its third day on offer, putting the amount raised yesterday at Fl 4.5bn.

Dealers expect tap sales to reach Fl 10bn by the end of the week.

■ ITALIAN government bonds showed surprising resilience in the face of weakness in other European bond markets. The price of the March BTP due 2003 rose marginally to 94.97 from 94.85.

Traders said the market was underpinned by news that wage inflation rose by an annual 2.8 per cent in January after a 2.2 per cent rise in December. This compared with an annual growth of 4.3 per cent in consumer prices in January.

■ US TREASURY prices were narrowly mixed yesterday morning as the market recovered from its morning dive, which was triggered by news of unexpectedly high inflation figures for February.

By midday, the benchmark 30-year government bond was $\frac{1}{32}$ lower at $103\frac{1}{32}$, yielding 6.872 per cent.

At the short end of the market, the two-year note was also off $\frac{1}{32}$, to yield 4.014 per cent.

FT FIXED INTEREST INDICES

	Mar 17	Mar 16	Mar 15	Mar 12	Mar 11	Year ago	High *	Low *
Govt Secs (UK)	97.34	97.23	97.74	97.69	97.59	86.20	98.04	85.11
Fixed Interest	112.90	113.68	113.61	113.46	113.73	99.49	113.83	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1992/93 Government Securities high since compilation 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation 113.83 (8/3/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Mar 16	Mar 15	Mar 12	Mar 11	Mar 10
Gilt Edged Bargains	110.9	128.4	122.0	130.7	126.7
5-Day average	123.8	127.8	130.3	132.8	131.3

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	115.4027	+0.070	7.70	7.72	8.49
BELGIUM		9.000	03/03	111.6850	-0.290	7.31	7.22	7.75
CANADA *		7.250	06/03	97.1000	-0.100	7.66	7.47	7.63
DENMARK		8.000	05/03	98.9000	+0.200	8.16	8.01	8.76
FRANCE	BTAN	8.000	05/98	103.6680	-0.044	7.11	7.02	7.91
	OAT	8.500	04/03	108.3000	+0.160	7.30	7.28	7.81
GERMANY		7.125	12/02	103.6750	-0.175	6.59	6.46	6.98
ITALY		12.000	05/02	97.0350	+0.055	12.94†	12.93	13.02
JAPAN	No 119	4.800	06/99	104.3726	-0.107	3.93	3.86	4.03
	No 145	5.500	03/02	103.8449	-0.250	4.04	3.99	4.22
NETHERLANDS		7.000	02/03	103.1600	-0.400	6.55	6.42	6.95
SPAIN		10.300	06/02	94.0955	-0.158	11.34	11.27	11.45
UK GILTS		7.250	03/98	102-27	-	6.60	6.54	6.71
		8.000	06/03	52-23	+13/32	7.60	7.52	7.86
		9.000	10/08	107-08	+8/32	8.17	8.06	8.40
US TREASURY *		6.250	02/03	101-12	+12/32	6.06	5.96	6.40
		7.125	02/23	103-03	+3/32	6.88	6.77	8.77
ECU (French Govt)		8.000	04/03	103.8500	+0.150	7.47	7.43	8.13

London closing, *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

CME chief in call for trading reform

By Laurie Morse in Chicago

MR JACK Sandner, head of the Chicago Mercantile Exchange, yesterday proposed that the maze of agencies that oversee US securities trading be streamlined into one body with cabinet-level status.

"Regulatory reform is necessary if the US is going to stay competitive in the global market," Mr Sandner said. Financial regulation costs the US $80bn a year, including the cost of insuring bank deposits. He claimed his plan could save $300m a year in administrative costs alone.

Mr Sandner's proposal, outlined at the annual Futures Industry Association conference in Boca Raton, Florida, would create a new "super" department for financial services regulation.

The Commodity Futures Trading Commission oversees exchange-traded derivatives, the Securities and Exchange Commission governs equities and other securities, while bank regulators account for over-the-counter swaps and derivatives.

"This sounds like a pretty significant proposal," said Mr Marc Lackritz, president of the Securities Industry Association, the group that led the SEC attack on the CFTC a few years ago.

Mr Sandner proposed to consolidate seven Washington agencies into a cabinet-level department. The agencies include the CFTC, the SEC, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, the Federal Deposit Insurance Corporation, the Securities Investor Protection Corporation (which insures brokerage house investors) and the Pension Benefit Guaranty Corporation.

He suggested the department be governed by a nine-member board and operate in eight functional divisions. The divisions would address banking and insurance, risk management, securities markets, and operational aspects such as customer protection, customer insurance, disclosure and reporting and prudential and systemic risk management.

The divisions would share legal, accounting and other administrative staffs, and would have a separate administrative court to hear enforcement cases.

The plan will be presented to vice-president Al Gore, who heads the "National Performance Review" that has been charged with reducing duplication and waste in federal regulation.

The Clinton administration has not yet made appointments to head either the CFTC or the SEC. The former CFTC chairwoman, Ms Wendy Gramm, stepped down in January, and SEC chairman Mr Richard Breeden plans to leave his post next month.

By April, both agencies, which usually have a four-person board plus a commissioner, will be down to just three board members, with one acting as commissioner.

Venezuelan offer given go-ahead

VENEZUELA has approved a finance ministry request to issue public-debt bonds worth DM150m, Reuter reports from Caracas. The approval was given by a senate committee and the funds will be used to refinance borrowings held by two state-owned groups.

The two companies are Cadafe, a state utility, and the Caracas subway. The refinancing will centre on borrowings that fell due last year or will fall due this year.

The bulk of the issue, some DM126.26m, will be handled by BHF Bank of Germany.

Correction

Italy

STANDARD & Poor's has asked us to point out that it has never accorded a triple-A rating to Italy, as was implied in a report on March 16, "Debt mountain still unclimbed amid turmoil". It rated Italy double-A plus until March 2 1983, when the rating was lowered to double-A.

AfDB issue reflects demand for long-dated paper

By Antonia Sharpe

NEW issues were concentrated in the Eurodollar sector yesterday, with other areas of the international bond market quiet ahead of the Bundesbank's council meeting today.

INTERNATIONAL BONDS

The triple A-rated African Development Bank (AfDB) launched its widely-expected $500m Eurobond issue, though the choice of a 30-year maturity surprised the market. The joint lead-manager, Goldman Sachs, said the issue was the AfDB's largest and longest public deal to date.

The bonds were priced at 98.56 to yield 48 basis points over comparable US Treasuries, at the lower end of the indicated range of 48 to 50 basis points.

When the bonds were freed to trade, the spread tightened slightly, reflecting good investor demand for long-dated paper. Goldman Sachs reported widespread demand for the bonds, from south-east Asia to Europe.

Mr Kofi Bucknor, the AfDB's treasurer, said that the longer-dated maturity suited the bank's funding requirements, since it was essentially a long-term lender. The 30-year life of the bonds reduced the bank's exposure to interest rate volatility and enabled the bank to lock into historically low interest rates, he said.

Mr Bucknor added that the AfDB planned a Y40bn "samurai" issue in the domestic Japanese bond market for foreign borrowers by mid-April.

A strong performance in the Tokyo stock market recently, and positive sentiment towards the Japanese railway sector in particular, prompted investors to snap up Keisei Electric Railway's $200m worth of four-year warrant bonds. The bonds were priced at par, but immediately jumped to 105¼ bid when they were freed to trade.

An official at the lead-manager, Nomura, said that the rise in the price of the bonds reflected a lack of supply of this sort of instrument which is geared to the Japanese equity market. The Nikkei average closed at the year's high of 18,173.37 yesterday, up 205.07 on the day.

BAT Capital Corp, the US financing arm of BAT Industries, raised $400m through an issue of five-year Eurobonds which were priced at 99.57 to yield 75 basis points over the comparable US Treasury.

Lead-manager CSFB said that the spread tightened to 73 basis points shortly after the bonds were freed to trade.

Mr Richard Desmond, BAT's group treasurer, said that yesterday's transaction was part of the company's strategy of issuing longer-term debt and retiring commercial paper.

Mr Desmond added that the proceeds would be kept in dollars and that there was no interest-rate swap associated with the bonds.

Elsewhere, HSBC Holdings raised £200m worth of subordinated Eurobonds due 2018, which the lead manager, Samuel Montagu, said was the largest long-dated subordinated issue to date in the Eurosterling sector.

HSBC Holdings, which announced its 1992 results earlier this week, went ahead with its issue yesterday, encouraged by strong investor demand for high-yielding, long-dated paper and the UK government bond market's recovery from its initial nervous reaction to Tuesday's Budget. The bonds, which are callable in 2013, were priced at 98.692 to yield 150 basis points above the 9 per cent UK gilt due 2012. When the bonds were freed to trade, the spread tightened slightly.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
African Development Bank	500	7.375	98.56	Apr.2023	0.625/0.375	G.Sachs/ Lehman Brothers
BAT Capital Corporation	400	6	101.095	Apr.1998	1.875/1.675	CSFB
Keisei Electric Railway(a)♦	200	1.625	100	Apr.1997	2.25/1.5	Nomura International
ABN Amro Bank(b)‡	100	(b)	99.625	Apr.2005	0.5/0.25	Lehman Brothers Intl.
STERLING						
HSBC Holdings(c)	200	9.875	98.692	Apr.2018	0.625	Samuel Montagu & Co.

Final terms and non-callable unless stated. ♦With equity warrants. ‡Floating rate note. a) Final terms fixed on 24/3/93. b) Coupon pays 6-month Libor - 0.125%; minimum 5.125%, maximum 8%. c) Callable after 5 years at a yield equivalent to the 9% gilt due 2012 and after the 2013 coupon date at a yield equivalent to the then current 5-year benchmark gilt. Callable on 2013 coupon date at par after which the coupon will be reset at the higher of the initial coupon or the annualised rate on the then 5-year benchmark gilt + 2.5%.

FT-A World Indices

THE Financial Times, Goldman, Sachs and NatWest Securities, and the Institute of Actuaries and Faculty of Actuaries, have signed new commercial agreements regarding the FT-Actuaries World Indices.

A statement yesterday said: "By laying a firm contractual foundation for the long-term future of the Indices, the new arrangements demonstrate an increased commitment by all the parties to the further development of the FT-AWI as the most rigorous measure of international investment.

"The three owners of the FT-AWI will continue to be represented on the World Index Panel, but the panel will be enlarged and its independence from the commercial parties will be enhanced by the adoption of a formal constitution. The new relationship between the parties also means that NatWest Securities and Goldman, Sachs will take on the entire responsibility for the licensing and distribution of data underlying the indices."

The FT-AWI will continue to be published in the Financial Times every business day.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on March 17

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	106	106½		4.48	ARBED 7 1/2 95 LFr	600	97½	98½		8.51
ALBERTA PROVINCE 9 3/8 95	600	110½	110⅞		4.96	ECSC 7 3/4 94 LFr	1000	99½	100¼		7.81
AUSTRIA 8 1/2 00	400	112½	113¼	+⅛	6.18	WORLD BANK 8 96 LFr	1000	100⅞	102½		7.66

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	53	14	10
Other Fixed Interest	0	9	6
Commercial, Industrial	242	352	820
Financial & Property	124	278	394
Oil & Gas	20	21	43
Plantations	0	1	7
Mines	14	35	88
Others	39	44	44
Totals	492	754	1,412

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1993 High	1993 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	½	½	Anglo Utd Warrants	½		-	-	-	-
100	F.P.	-	103	98	For & Col US Smllr Co's	102½		-	-	-	-
-	F.P.	-	44	30	Do. Warrants	41		-	-	-	-
51	F.P.	-	76	52	Intl. Food Machinery	76		-	-	-	-
-	F.P.	-	95	91	ψMerlin Intl Units	95		H3.4	-	4.8	-
§210	F.P.	-	280	262	Motor World	278		R6.3	2.5	3.0	17.3
100	F.P.	-	100	97	Pilot Inv. trust	97	-½	-	-	-	-
-	F.P.	-	28	21	Do Warrants	27		-	-	-	-
100	F.P.	-	105	102	Schroder Split Fd Inc	103	-1	M6.75	-	8.7	-
20	F.P.	-	21	19	Do. Cap	21		-	-	-	-
100	F.P.	-	101½	99	Do Zero Div. Pf.	101	+½	-	-	-	-
25	F.P.	-	26¼	25½	Warrants & Value Tst	25¼		-	-	-	-
110	F.P.	-	141	130	Yorkshire Food	132		W2.88	2.6	2.9	15.6

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1993 High	1993 Low	Stock	Closing Price £	+ or -
-	F.P.	-	117½p	102¼p	Airtours 6¼p (Net) Cv. Pf. (ex-div)	115½p	+½
100p	F.P.	-	122¼p	115½p	Bristol Water 8¾pc Pf.	117p	-4¼
100p	F.P.	-	112¾p	105¼p	Commercial Union 8¾pc Cm. Pf.	108¼p	-4¼
100	F.P.	-	114¼	106½	NFC 7¼pc Cv. Bd. 2007	106½	-1
60p	F.P.	-	60p	54p	Merlin Intl. Green Zero Prf.	59½p	+¼

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
295	Nil	22/4	62pm	44pm	Berkeley	57pm	+4
405	Nil	23/4	71pm	62pm	British Polythene	71pm	+5
170	Nil	16/4	20pm	10½pm	Cookson	10½pm	-3½
28	Nil	7/4	24pm	17pm	♦Capid	17½pm	-3½
239	Nil	21/4	41pm	40pm	Gold Greenlees Trott	40pm	
52	Nil	13/4	14pm	7pm	Howden Group	9pm	-4
17	Nil	7/4	11pm	6pm	Lopex	6pm	-3
520	Nil	18/3	67pm	42pm	♦Meyer-Swain	42pm	
10	Nil	8/4	7½pm	1½pm	Stonehill Hldgs. A	1½pm	
60	Nil	13/4	20pm	10½pm	Trafalgar House	12½pm	
95	Nil	23/4	35pm	22pm	Vickers	35pm	
45	Nil	23/4	12pm	7pm	WPP	7pm	-1
16	Nil	2/4	6pm	3¼pm	Wills Group	3¼pm	-¼
330	Nil	18/5	57pm	34pm	Yorkshire Chemicals	56pm	+1

b Figures based on prospectus estimates. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1993-94. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ψ Units comprising 1 ord. and 1 zero pref. share.

TRADITIONAL OPTIONS

- First Dealings March 8
- Last Dealings March 19
- Last Declarations June 17
- For settlement June 28

3-month call rate indications are shown in Saturday editions.

Calls in Arcon Intl. Res., Expamet Intl., Ferranti, Premier Cons. and Ratners. Puts in Hi-Tec, Spring Ram and Taunton Cider. Double in Costain.

FT-SE ACTUARIES INDICES

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices, the FT-SE Actuaries Industry Baskets and the FT-Actuaries All-Share Index are members of the FT-SE Actuaries Share Indices series which are calculated in accordance with a standard set of ground rules established by The Financial Times Limited and London Stock Exchange in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

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LIFFE EQUITY OPTIONS

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Alld Lyons (*565)	550	26	41	51	10	29	36
	600	5	19	30	41	62	67
ASDA (*74)	67	8	13	16	2½	5	7½
	76	3½	9	11	6	8½	12
Brit. Airways (*295)	280	22	30	37	5	18	23
	300	9	20	27	13	29	34
SmKl Bchm A (*448)	420	34	50	58	5	16	23
	460	10	29	37	20	36	42
Boots (*505)	500	18	33	45	11	28	33
	550	2½	13	24	45	60	63
B.P. (*304)	300	13	24	30	7	17	22
	330	3	11	17	28	35	39
British Steel (*89)	80	13	17	19½	2	5	7
	90	5½	9½	13	4½	10	12
Bass (*585)	550	41	58	72	4	16	24
	600	11	31	45	22	41	47
C & Wire (*701)	700	22	42	56	17	41	50
	750	5	23	35	54	73	80
Courtaulds (*575)	550	36	53	63	6	23	30
	600	8½	27	39	30	50	57
Com Union (*611)	580	43	62	67	4	15	25
	629	12	34	45	26	38	47
Fisons (*211)	200	20	29	36	7	21	26
	220	8½	20	29	18	33	37
GKN (*460)	460	13	31	38	14	27	36
	500	2½	16	21	45	52	62
Grand Met. (*462)	460	16	37	46	10	26	31
	500	5	20	26	38	48	54
I.C.I. (*1207)	1200	40	84	97	28	56	80
	1250	18	64	74	59	82	110
Kingfisher (*543)	535	22	36	46	10	29	36
	584	5	16	25	45	62	65
Ladbroke (*194)	180	18	24	33	6½	13	18
	200	7	14	20	17	26	32
Land Secur (*506)	500	15	25	31	8	28	31
	550	2	7½	13	48	66	66
M & S (*349)	330	24	33	39	3	10	16
	360	6½	16	24	16	27	31
Sainsbury (*518)	500	32	40	54	6	20	25
	550	5	17	28	34	48	53
Shell Trans. (*578)	560	34	50	58	3½	11½	19
	600	6½	23	30	27	34	44
Storehouse (*198)	180	20	28	33	3	11	14
	200	8	17	22	10	20	24
Trafalgar (*72)	64	11	14	16	1½	4½	5½
	74	5	8	10½	5	9½	12
Utd. Biscuits (*387)	360	33	40	48	6	14	20
	390	10	21	28	21	28	35
Unilever (*1211)	1200	27	58	83	25	48	52
	1250	6	36	57	62	80	85

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
Brit Aero (*278)	260	38	52	63	15	24	32
	280	25	40	53	24	34	43
BAA (*796)	750	63	75	88	8	22	29
	800	31	45	58	27	45	50
BAT Inds (*967)	950	40	60	72	32	50	70
	1000	16	35	51	67	80	100
BTR (*594)	550	57	68	72	4	9	16
	600	20	33	42	18	26	37
Brit. Telecom (*420)	390	39	45	49	4	11	15
	420	18	25	31	12	24	29
Cadbury Sch (*476)	460	32	43	53	8½	15	22
	500	11	23	32	30	35	42
Eastern Elec (*477)	460	33	42	48	10	24	29
	500	12	21	28	31	47	52
Guinness (*484)	460	33	45	55	14	23	30
	500	13	25	35	36	43	48
GEC (*300)	300	13	18	25	10	18	22
	330	3½	6½	10	31	39	42
Hanson (*237)	220	23	25½	30	2½	6	10
	240	9½	14	18	10	15	19
LASMO (*189)	180	18	25	30	12	18	25
	200	9	17	22	25	30	37
Lucas Inds (*141)	140	10	17	21	10½	17	23
	160	4	9	11	25	29	36
P. & O. (*572)	550	41	51	60	23	34	47
	600	13	29	38	54	62	80
Pilkington (*114)	110	19	23	26	3½	7½	11
	120	8	12	17	14	18	22
Prudential (*333)	330	13	21	28	17	23	29
	360	4	11	17	39	42	47
R.T.Z. (*655)	650	36	56	70	24	33	45
	700	14	32	45	53	63	71
Scot. & New (*466)	460	25	36	43	12	26	31
	500	8	18	26	36	51	55
Tesco (*251)	240	20	26	32	8	13	17
	260	9	16	21	34	37	41
Thames Wtr (*535)	500	46	52	55	4	16	19
	550	14	22	28	25	41	45
Vodafone (*400)	390	28	38	49	14	23	31
	420	14	24	35	31	41	47

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Abbey Nat. (*372)	360	14	28	37	3	13	20
	390	1½	14	22	21	29	36
Amstrad (*37)	35	3	6	8	-	3½	5
	40	1	3½	5½	4	6	7½
Barclays (*403)	390	18	35	44	4½	17	27
	420	2	20	30	20	33	44
Blue Circle (*216)	200	19	25	31	1½	12	17
	220	5½	14	22	8	24	28
British Gas (*293)	280	15	21	24	1	11	14
	300	2½	9	14	8	22	25
Dixons (*222)	220	8	22	26	5	14	23
	240	3	12	18	20	27	36
Eurotunnel (*489)	460	41	63	80	5	25	38
	500	9	40	60	20	45	58
Glaxo (*633)	600	38	68	87	3	23	37
	650	8	40	61	24	48	60
Hillsdown (*156)	140	17	20	22	1	7½	11½
	160	3	8	13	7	20	23
Lonrho (*84)	80	5	11½	14	1½	7	9
	90	1	7	10	7	12	16
HSBC 75p shs (*607)	600	17	36	54	10	41	53
	650	3	19	35	47	75	86
Natl Power (*335)	330	9	23	28	4	14	23
	360	1½	10½	15	27	32	41
Reuters (*1363)	1350	33	89	125	15	57	83
	1400	10	65	99	44	82	108
R. Royce (*126)	120	8½	14	19	2	10	14
	130	3	9	13	7	16	19
Scot Power (*239)	220	20	26	29	1	5	12
	240	3	14	17	5	13	21
Sears (*96)	90	7	10	13	1	5½	8
	100	2½	5	8	9	10	14
Forte (*196)	180	18	22	27	1½	10	13
	200	3½	12	17	8	21	24
Thorn EMI (*862)	850	20	50	60	4	26	47
	900	1½	26	36	41	54	79
TSB (*168)	160	10½	20	23	1½	8	13
	180	1	10	14	13	20	24
Vaal Reefs (*539)	35	5	6½	7½	1½	2½	4
	40	2	3½	4½	3	5	6
Wellcome (*905)	900	21	60	90	14	45	65
	950	4	36	67	49	75	92

EURO FT-SE INDEX (*2889)

	2775	2825	2875	2925	2975	3025	3075	3125
CALLS								
Mar	117	67	24	5	1	½	½	-
Apr	135	97	60	38	21	11	6	2½
May	-	117	-	64	-	28	-	12
Jun	-	133	-	78	-	42	-	21
Sep	-	182	-	130	-	85	-	55
PUTS								
Mar	1	2½	13	41	88	137	187	-
Apr	17	29	46	71	103	143	187	233
May	-	50	-	96	-	163	-	245
Jun	-	68	-	112	-	173	-	247
Sep	-	93	-	135	-	190	-	260

FT-SE INDEX (*2889)

	2750	2800	2850	2900	2950	3000	3050	3100
CALLS								
Mar	140	91	41	10	2	1	1	½
Apr	155	113	75	50	28	14	7	4
May	173	138	105	75	52	37	22	12
Jun	-	156	-	93	73	52	38	26
Dec †	-	-	-	195	-	148	-	-
PUTS								
Mar	½	1½	5	25	66	116	166	216
Apr	13	23	39	58	89	130	172	220
May	29	42	60	83	111	-	-	235
Jun	41	58	76	100	125	-	-	-
Dec †	-	-	-	160	-	-	-	280

March 17 Total Contracts 35,367
Calls 16,793 Puts 18,574
FT-SE Index Calls 3,886 Puts 7,620
Euro FT-SE Calls 2,703 Puts 4,187
*Underlying security price. † Long dated expiry mths. Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Wed Mar 17	Day's change %	Tue Mar 16	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (24)	129.87	+0.05	129.81	2.28	1.98
2	5-15 years (22)	149.76	+0.25	149.38	1.56	3.52
3	Over 15 years (8)	158.58	+0.38	157.97	0.87	3.10
4	Irredeemables (6)	181.07	-0.36	181.73	2.82	1.48
5	All stocks (60)	145.79	+0.20	145.50	1.75	2.90
	Index-Linked					
6	Up to 5 years (2)	184.01	+0.22	183.60	0.29	1.51
7	Over 5 years (12)	173.85	+1.11	171.93	0.62	1.23
8	All stocks (14)	174.07	+1.00	172.34	0.57	1.27
9	Debs & Loans (67)	129.10	-0.48	129.72	2.12	2.45

	AVERAGE GROSS REDEMPTION YIELDS		Wed Mar 17	Tue Mar 16	Year ago (approx.)
	British Government				
1	Low	5 years	6.55	6.55	9.28
2	Coupons	15 years	7.64	7.69	9.52
3	(0%-7¾%)	20 years	7.92	7.96	9.52
4	Medium	5 years	6.82	6.85	9.91
5	Coupons	15 years	8.17	8.20	9.61
6	(8%-10¾%)	20 years	8.34	8.38	9.56
7	High	5 years	7.08	7.03	10.14
8	Coupons	15 years	8.38	8.44	9.74
9	(11%-)	20 years	8.46	8.52	9.66
10	Irredeemables (Flat Yield)		8.42	8.39	9.72
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.03	2.10	3.70
12	Inflation rate 5%	Over 5 yrs.	3.41	3.49	4.48
13	Inflation rate 10%	Up to 5 yrs.	1.23	1.30	3.08
14	Inflation rate 10%	Over 5 yrs.	3.24	3.32	4.32
15	Debs &	5 years	8.47	8.41	11.13
16	Loans	15 years	9.25	9.18	10.84
17		25 years	9.49	9.43	10.67

DTI appoints inspectors to investigate company's collapse

Ex-Harland chief charged

By Angus Foster

THE DEPARTMENT of Trade and Industry has issued a summons against Mr Roy Ashman, former chairman of Harland Simon, the control systems company which went into receivership last year.

Mr Ashman is due to appear at Milton Keynes Magistrates Court on April 2 to face one charge of acting contrary to section 47(1)b of the Financial Services Act 1986.

The charge alleges that on February 10 last year Mr Ashman made a statement or forecast to Mr Nigel Stephen Savage, an employee of John Govett, which was "misleading, false or deceptive" and designed to induce him or any other person to enter into an investment agreement.

It is understood that Mr Ashman met with Mr Savage on the day before Harland issued a profits warning. After the meeting, Govett bought 170,000 Harland shares for more than £700,000.

The DTI has also appointed inspectors under section 447 of the Companies Act to look into the collapse of Harland Simon.

The inspectors, from accountancy firm Robson Rhodes, are thought to be looking into a number of questions, first raised by the Financial Times, concerning the way Harland was run. Harland's relationship with its one-time subsidiary, Perfect Information Limited, is also under scrutiny.

A team of accountants from Robson Rhodes has been interviewing individuals involved in the collapse, and has taken away a number of sets of documents and transcripts of telephone conversations from the offices of PIL, which no longer has any relation to Harland.

Roy Ashman: charged with contravening Financial Services Act 1986

Section 447 inquiries are confidential and neither the DTI nor Robson Rhodes was able to comment.

This type of inquiry is designed to be a fast track assessment of events. If sufficient evidence of wrongdoing is uncovered, the DTI can decide to proceed with a wider ranging inquiry, usually under section 432.

Harland went into receivership in October following a collapse in profits and the withdrawal of part of the company's working capital by its main banker, Barclays. However, most of its operating subsidiaries were saved, and sold off by receiver Touche Ross.

Try rises 43% but warns of below-cost tendering

By Hugh Carnegy

TRY GROUP, the contractor and housebuilder, yesterday warned against what it called an alarming trend of below-cost tendering in the industry.

At the same time, it reported net attributable losses reduced from a restated £3m to £1.93m. However, the dividend for the year was cut from 6p to 1p, with a 0.5p final, as earnings per share tumbled from 7.4p to 3.4p.

The group again included heavy provisions of £2.85m (£3.23m) below the line as it moved to get out of the commercial and industrial property sector. Under FRS 3 accounting rules, these will in future have be shown as a profit and loss item.

Turnover rose from £114.3m to £117.9m and pre-tax profits by 43 per cent to £1.38m (£961,000). This was achieved in large measure through acquiring construction contracts from builders in receivership.

Contracting turnover was up to £103.2m (£100.1m), while profits were flat at £2.3m. Mr Hugh Try, chairman, said there was still significant excess capacity in the contracting industry.

Mr Peter Howell, managing director, described as "extremely dangerous" moves by many companies to chase turnover by bidding for tenders on negative margins.

Pre-tax profit growth came after rationalisation costs of £432,000 and a write-down on residential developments of £400,000 (£1.15m). Housebuilding turnover grew from £14m to £14.6m and losses in the sector were cut to £436,000 (£955,000).

Mr Try said the company had looked forward to 1997 in assessing its provisions for the shortfall of rental income against interest. "We honestly believe that is it," he said.

Although he was cautious in predicting an end to the recession, he noted that Try's order books were up 20 per cent at the start of the year at £69m and had since grown to £90m. Try sold 201 houses last year, compared to 168 in 1991.

Portals says signs of pick-up continuing

By Paul Taylor

PORTALS Group, the specialist paper and environmental protection and control products company, reported a 9 per cent rise in 1992 operating profits from continuing operations and said the pick-up in activity seen in the fourth quarter "has generally been sustained into 1993."

Pre-tax profits, after exceptional items, were little changed at £25.5m from a restated £25.2m in 1991. The 1991 figure was originally reported as £27.6m, but has been restated to comply with the recent FRS 3 reporting standard.

Exceptional items under FRS 3 amounted to a net £1.7m (£885,000) charge in 1992. The mainly item related to the group's loss-making Airoil-Flaregas subsidiary which was sold in January.

Fully diluted earnings per share slipped to 26.74p (28.04p). But an increased final dividend of 9.5p (8.8p) raised the total for the year to 14.5p (13.8p).

Despite tough trading conditions operating profits from continuing operations increased to £28.5m (£26.3m). Mr Michael Morley, chief executive, said the results were somewhat better than expected because of "distinct pick-up in the final quarter."

The core security and specialist papermaking division boosted operating profit to £20.1m (£19.3m) on sales of £101m (£98.2m).

The protection and control division increased operating profit by almost 22 per cent to £8.43m (£6.93m) on flat turnover of £77.7m.

The sale of the loss-making Airoil-Flaregas subsidiary leaves two core businesses, the Houseman air and water hygiene business, and Computer Technology. Both hold strong positions in their respective key markets.

Net borrowings fell by another £3m last year, despite capital expenditure of £14.6m (£12.9m). Year-end borrowings of £2.8m (£5.8m) represent gearing of 2 per cent. Since the year end the group has eliminated all of its debt following the Airoil-Flaregas disposal.

● COMMENT

The sale of Airoil-Flaregas means the protection and control division's new management can now focus on building the core businesses. In contrast, growth in the papermaking division is likely to come through acquisition sometime this year. The management has looked at three possibilities in the last 6 months and is sizing-up another two. The key requirements are that the target should be a speciality, high quality niche papermaker in a business where Portals can add value. With no debt a price tag of up to £50m would not strain the balance sheet unduly. Pre-tax profits this year could reach £30m, producing earnings of about 31.5p. The prospective p/e of 16.2 reflects growth and takeover potential.

Surprise and relief follows failed bid

Michael Skapinker on reaction to Airtours' unsuccessful offer for Owners Abroad

AFTER YEARS of dealing with upheavals ranging from hurricanes to corporate collapse, the holiday business should have learned to shrug off surprises.

Many in the industry have, however, observed Airtours' proposed takeover of Owners Abroad, which finally failed last Tuesday, with a mixture of wonder and dread. The wonder was that Mr Michael Heseltine, trade and industry secretary, last month casually shrugged aside the Office of Fair Trading's recommendation that the bid be referred to the Monopolies and Mergers Commission. Many were surprised, too, at the market's rejection of a bid that was widely expected to succeed.

The dread was that Airtours' success might lead to a price war with Thomson, the market leader, which could have ruined smaller companies. Many were apprehensive, too, that Thomson and the enlarged Airtours would have used their own travel agents, Lunn Poly and Pickfords Travel, to exclude small operators and agencies from the market.

Some believe Airtours' failure means that life will return to what it was before. Mr Paul Brett, chairman of the Thomson Travel Group, the parent company of Thomson Tour Operations, Lunn Poly and Britannia Airways, said: "They tried something, they failed, it's back to square one."

Mr Noel Josephides, chairman of the Association of Independent Tour Operators and an outspoken opponent of the takeover, said: "Hopefully, this will now mean stability for all of us."

Others argue that factors ranging from high unemployment to a devalued pound mean that the travel business has changed anyway and that medium-sized and smaller companies will find it difficult to compete.

The three leading companies have all made it clear that they will not be loosening their grip on the industry. Mr David Crossland, Airtours' chairman, said yesterday that he was now examining other options. He would not be drawn on what they were, but competitors believe they could include a rapid expansion of Pickfords or the purchase of a medium-sized tour operator. Either option would give Airtours greater control of the market and increase the pressure on smaller competitors.

Mr Roger Allard, Owners Abroad managing director, accepted that his group was now under greater pressure than before. He said: "We'll take on board what the City and institutions have said to us. We have to deliver the right profits for our shareholders."

Mr Brett reaffirmed Thomsen's determination to continue to be the biggest tour operator, travel agent and charter airline operator. He said Lunn Poly opened 68 new outlets last year, bringing the total to 578, and would add another 100 this year.

Few expect the market to grow significantly this year, despite widespread discounting and television advertising earlier in the year.

Mr Richard Bowden-Doyle, Lunn Poly's marketing director, said sales of summer 1993 holidays rose 10 per cent in January compared with last year, but then fell 5 per cent in February. "On the most optimistic view, the summer market is flat," he said.

Although lower interest rates usually result in a rise in bookings, Mr Chris Parker, chairman of Unijet Travel, a medium-sized tour operator, said customers were postponing their holiday decisions because of fear of unemployment. Late booking, a growing trend even before the rise in unemployment, is particularly damaging to small companies with less cash to cushion them.

The drop in the value of the pound has also been easier for the large companies to bear because they buy all of their foreign currency forward, something many smaller companies cannot do.

Mr Tim Cocking, president of the National Association of Independent Travel Agents, says that while he heaved a sigh of relief at Airtours' failure, the bid confirmed the trend towards vertical integration in the travel business. The Thomas Cook travel agency chain's decisive backing of Owners Abroad has convinced the industry of the genuine nature of the two companies' previously announced intention to establish closer links.

Although there are still 5,000 independent travel agents, the large chains are able to command a market share out of all proportion to the number of outlets they control. Although Lunn Poly accounts for only 7 per cent of the total number of UK retail outlets, it has a 22 per cent share of the market for summer package holidays.

A change of heart on the way to the party

Gartmore's controversial decision was crucial to the bid. Richard Gourlay reports

OVER 30 years, Mr David Crossland, chairman of Airtours, has probably forgotten more about the holiday business than many travel executives would ever hope to know.

But the City was new ground and in three bruising months pursuing rival Owners Abroad in a fiercely contested takeover battle, he had a crash course on how it works. It has been an altogether less rewarding experience and one he will not forget.

Not only was the £290m bid notable for the close finish; when Airtours lapsed its offer on Tuesday, it had the support of investors representing 43 per cent of Owners' shareholders and was only one institutional investor away from victory.

Airtours also found itself in a rare three-cornered contest with Thomas Cook, the German-controlled travel agency which was proposing a commercial tie-up with Owners Abroad. When Thomas Cook last week offered to tender for 12.5 per cent of the Owners shares if the bid failed, Airtours faced a competing proposal that was not a competing bid.

In the end, Airtours returned empty handed to its Lancashire base because of one controversial institutional decision and because Thomas Cook became a substantial buyer in the market.

The crucial decision was that of Gartmore, a 7.8 per cent shareholder in Owners Abroad which eventually sold a third of its stake to Thomas Cook and then refused to assent the rest.

By the end of last week, with the largest shareholder, Mercury Asset Management, supporting Airtours and the second largest, Philips & Drew Fund Management, supporting Owners Abroad, this decision proved crucial and a significant blow to Airtours.

David Crossland: takeover battle an experience he will not forget

Howard Klein: Owners has a tough task to live up to expectations

What was surprising to all sides was that when Thomas Cook first announced its decision to tie-up with Owners Abroad, Gartmore was vehemently opposed.

The institution did not like the fact that Owners would issue new shares to Thomas Cook or that it would, in turn, be investing in low yielding fixed rate Thomas Cook paper.

The institution was thought to be lukewarm about the benefits of the transaction and wary about the probable savings.

Nor was Gartmore believed to be a great fan of the entire Owners Abroad board, following the share price performance and various share sales – totally legitimate though they were – by Mr Howard Klein, the Owners chairman.

Such was the disenchantment that a Gartmore fund manager left Airtours with a strong impression that if it should bid for Owners Abroad, Gartmore would lend its support.

Something clearly changed on the way to the party. Late in the day, Gartmore is believed to have been impressed by Owners' presentations of the benefits that the Thomas Cook deal would bring. And in common with a number of other institutions, there were doubts whether Airtours could handle nearly doubling its share of holiday market through acquisition after a period of such rapid organic growth.

The outcome is a salutary reminder to potential bidders who think they have institutional support but have not received irrevocable support.

Ultimately the institutions dance to their own tune, acting in the interests of their clients. Support at one price and in one set of circumstances is no guarantee of support throughout.

The other issue was Thomas Cook's purchase of Owners shares early this week, the final blow that toppled Airtours' bid. When Thomas Cook bought its 8.9 per cent stake in Owners Abroad, it attempted to buy from shareholders who were expected to accept the Airtours offer. Such directed purchases are totally within Takeover Panel guidelines which say anyone can buy shares from anyone at any time.

So where does the outcome leave the protagonists? Owners Abroad has set itself a tough task to live up to the expectations it created throughout the bid. And having made a serious investment, Thomas Cook now has an even greater incentive to make the commercial tie-up work.

Also it would be surprising if Owners Abroad does not appoint new non-executive directors - in addition to Mr Christopher Rodrigues, chief executive of Thomas Cook - to look after the interests of minority shareholders.

And Airtours? It is likely it will sell its stake in Owners - the stake is a relatively low yielding asset in an industry that has high returns on capital. This could mean more losses to add to the £8m, or so, cost of the bid.

Mr Crossland could well see his next challenge as trying to prove to the City that they had backed the wrong horse. Owners Abroad might expect a rather focused attack on its market share.

Dutch problems cut Expamet Intl by 40%

By Catherine Milton,

EXPAMET International, the building products and security group, yesterday announced pre-tax profits down almost 40 per cent from £7.3m to £4.4m for the year ended December 1992.

The group has been hit by problems at what was its Dutch duct making subsidiary. Last June a profit warning followed the discovery of inflated profit figures at Brema-Air.

The group took an extraordinary charge of £23.5m (£1.3m) consisting of losses on disposal or closure of businesses and the elimination of £17.7m of related purchased goodwill.

More than £10m related to the disposal of the Dutch ducting business and APT Controls.

The balance relates to three further anticipated disposals.

Borrowings at the year end were £16.4m (£9.8m). Again, the increase was caused mainly by the Dutch losses but were also boosted about £3m by currency fluctuations.

Borrowings in the middle of 1992 were £22.9m.

Net assets at the year end were £15.4m (£21.6m).

The tax charge dropped to £1.2m, compared with £2m. The figure includes an overseas element of £202,000 (£884,000). The final dividend is 1.16p giving a total of 3.25p (10.38p) payable from earnings per share down from 9.06p to 5.08p.

Plantsbrook improves to £9m after halved interest charges

By Catherine Milton,

PLANTSBROOK Group, the funeral services provider, raised pre-tax profits by 38 per cent from £6.55m to £9.05m in the year to December 31.

Gearing fell from 75 per cent at the half year to 54 per cent, mainly because of a £10.5m rights issue and a private placing of more than £2m in December. Borrowings were £11.1m (£29m) giving halved interest payments of £1.9m (£3.7m).

A maintained final dividend of 2p gives a same-again total of 3p, payable from basic earnings of 6.78p (5.51p). Plantsbrook disposed of a memorial maker and six memorial retailers. It closed 52 small branches and reduced staff by 17 per cent. The group is looking for suitable acquisitions.

Group turnover declined to £49.8m (£53.5m), operating profits rose to £11m (£10.2m) and margins rose to 22 per cent (19 per cent).

The previously loss-making Dignity pre-paid funerals division broke even. The group's corpse rescue and repatriation business, Kenyon Emergency Services and Kenyon Air Transportation, contributed £1.5m to turnover and £500,000 to pre-tax profits. Its work included two air crashes in Katmandu and a helicopter crash in Scotland.

Mr Peter Hindley, Plantsbrook's chief executive, said: "Two years ago gearing was 400 per cent and market share was declining. We have reduced gearing and our market share is stable at about 9 per cent."

Mr Geoff Douglas, analyst at Barclays de Zoete Wedd, said: "Mortality rates for 1993 are so far down 6 per cent but hopefully the shortfall will be clawed back." He expects profits to reach £10m next time mainly from reduced interest charges.

McDonnell Douglas Information shows 23% advance to £19.4m

By Alan Cane

McDONNELL Douglas Information Systems, the UK-owned computing services company formed earlier this year through a buy-out from the US aerospace group, lifted operating profits 23 per cent in the year to December 31 despite a 9 per cent fall in worldwide turnover.

Operating profits were £19.4m compared with £15.8m. Turnover fell from £175.2m to £159.7m. Net assets, however, rose by 31 per cent to £77.9m compared with £59.4m.

Mr Jeremy Causley, chief executive, said the outcome resulted from retaining market share in a tough year and keeping a tight rein on costs. Software and services now accounted for 58 per cent of revenues and the company intended to invest further in the development of application software in 1993.

Overseas operations accounted for almost 30 per cent of revenues, he said.

Utd Newspapers settles dispute

By Catherine Milton and Angus Foster

UNITED Newspapers, publisher of the Express and Star national newspapers, said it had settled its legal dispute over distribution with Northern and Shell, publisher of Penthouse and Forum magazines.

The row was over the termination of magazine distribution agreements.

Under the agreement, Northern and Shell will pay £17m it owes to United.

In return, United will pay £17m for 10 magazine titles serving the cycling and music sectors.

The magazines have net assets of £96,000 and are expected to make a gross contribution of £1.7m in the next 12 months.

The two sides have also agreed to drop their competing litigation actions over distribution agreements.

United said its annual results to be published later this month would show an exceptional provision of up to £12m to reflect the costs of dissolving the "uneconomic" distribution agreements and a "more conservative" valuation of the magazines acquired.

The provision will, however, be offset by an exceptional gain of about £23m following a controversial decision to dispose of some shares in Reuters Holdings.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 18.03.93 Pool purchase price £/MWh	Final Prices for Trading on 16.03.93 Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.72	18.09	18.09
0100	20.58	18.17	18.17
0130	20.75	21.43	22.80
0200	20.75	21.43	22.78
0230	18.11	21.04	22.36
0300	17.64	18.06	18.06
0330	17.61	18.05	18.05
0400	17.55	17.69	17.38
0430	17.55	17.53	17.53
0500	17.55	17.54	17.54
0530	17.69	17.60	17.60
0600	17.98	17.60	17.60
0630	18.62	18.04	18.04
0700	22.49	20.74	22.08
0730	22.50	20.77	22.12
0800	22.62	20.77	22.11
0830	22.77	20.77	22.11
0900	22.77	21.16	22.50
0930	22.80	21.12	22.45
1000	24.96	21.16	22.49
1030	24.96	21.16	22.49
1100	24.96	21.16	22.49
1130	24.96	21.16	22.49
1200	24.96	23.54	24.84
1230	24.96	21.16	22.49
1300	24.96	21.16	22.49
1330	22.82	21.16	22.49
1400	22.82	21.16	22.49
1430	22.82	21.16	22.49
1500	22.82	21.16	22.49
1530	22.82	21.16	22.50
1600	22.82	21.16	22.50
1630	22.82	21.16	22.48
1700	24.90	21.79	23.12
1730	24.90	21.38	22.71
1800	26.26	27.00	28.46
1830	26.29	27.00	28.43
1900	28.11	27.00	26.41
1930	28.11	25.62	27.01
2000	28.00	22.98	23.90
2030	24.90	21.93	23.26
2100	22.80	21.39	22.70
2130	22.80	21.39	22.71
2200	22.50	20.77	22.08
2230	22.00	18.06	18.06
2300	18.13	17.80	17.80
2330	17.60	17.54	17.54
2400	17.60	17.53	17.53

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456799 between 8.30am and 5.15pm Monday to Friday.

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PUBLIC WORKS LOAN BOARD RATES

Effective March 16

Years	Quota loans* EIP†	At†	maturity§
1			5⅝
Over 1 up to 2	5¾	5¾	6¼
Over 2 up to 3	6	6	6½
Over 3 up to 4	6¼	6¼	6⅞
Over 4 up to 5	6½	6½	7⅛
Over 5 up to 6	6⅝	6⅝	7½
Over 6 up to 7	6¾	6⅞	7⅞
Over 7 up to 8	7	7	8⅛
Over 8 up to 9	7⅛	7⅜	8⅜
Over 9 up to 10	7⅜	7½	8⅝
Over 10 up to 15	8⅛	8½	9⅛
Over 15 up to 25	9	9¼	9⅜
Over 25	9⅜	9⅜	9⅜

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. ††Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Avonside	fin	2.2	May 28	-	4	-
Bowthorpe	fin	4.57†	July 5	4.34	6.36	6.04
BB&EA	int	2.5	May 14	nil	-	nil
British Mohair	fin	7.1	May 27	7.1	8.5	8.5
Celestion Inds	fin	1.4	July 9	1.2	1.4	1.2
Chieftain §	fin	3	-	3	5.1	4.9
Daniels (S)	fin	0.25	May 26	0.25	0.25	0.25
Expamet Intl	fin	1.16	May 7	6.2	3.25	10.38
Fisher (James)	fin	0.5	May 14	3.5	1	5.5
Marley	fin	2.1	June 7	4.25	4.2	8.35
Plantsbrook	fin	2†	July 1	2	3	3
Portals	fin	9.5	July 1	8.8	14.5	13.8
Spandex §	fin	4.6	July 16	4.1	6.5	6
Try	fin	0.5	July 1	4	1	6
WSP	fin	0.9†	May 10	1.8	2	2.9

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims: Green (E), Melville.

Finals: Arjo Wiggins Appleton, Automated Security, Baynes (C), Cattle's, Coats Viyella, Commercial Bank of London, CreateCare, Davis Service, Edmond, Evans Halshaw, Guinness, Kwik-Fit, Legal & General, Mandarin Oriental, Martin Currie Pacific, Quicks, Rea Bros, Rentokil, Rotork, Schroders, Seafield Resources, Telemetrix, Trade Indemnity, Trio, United Biscuits, Virtan.

FUTURE DATES

Interims-

Trafford Park Ests	Mar 25

Finals-

BNB Resources	Mar 25
Capital Inds	Mar 22
Computer People	Mar 29
Edinburgh Oil & Gas	Mar 23
Erwin	Apr 6
Fired Earth Tiles	Mar 19
File Indmar	Mar 31
International Food	Apr 8
Johnston Group	Mar 31
Mediterranean Fund	Mar 26
Morgan Crucible	Apr 5
Relyon	Mar 23
Spear (JW)	Mar 23
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COMPANY NEWS: UK

Bowthorpe's advance helped by acquisitions

By Paul Taylor

BOWTHORPE, the international electronic and electrical components group, increased pre-tax profits by 5.8 per cent last year, helped by acquisitions and strong operating profits from its UK and US-based operations.

The group lifted pre-tax profits from £40.3m to £42.7m over 1992 on turnover ahead 20 per cent to £265.4m (£220.5m).

Mr Colin McCarthy, finance director, said that about 9 percentage points of the turnover advance came from acquisitions, about the same proportion was attributable to organic growth and 2 percentage points reflected foreign exchange translation gains.

Overall, he said, translation gains resulting from sterling's devaluation added about £900,000 to trading profits and would add about £5m in 1993 if currencies remain at current levels.

Operating profits rose to £42.3m (£38.5m) while interest receipts fell to £381,000 (£1.8m). Operating profits jumped 36 per cent in the UK, were up 22 per cent in the US but fell 4 per cent in continental Europe mainly due to the German recession.

Earnings per share increased to 15.36p (14.04p); a final dividend of 4.57p brings the total to 6.36p (6.04p).

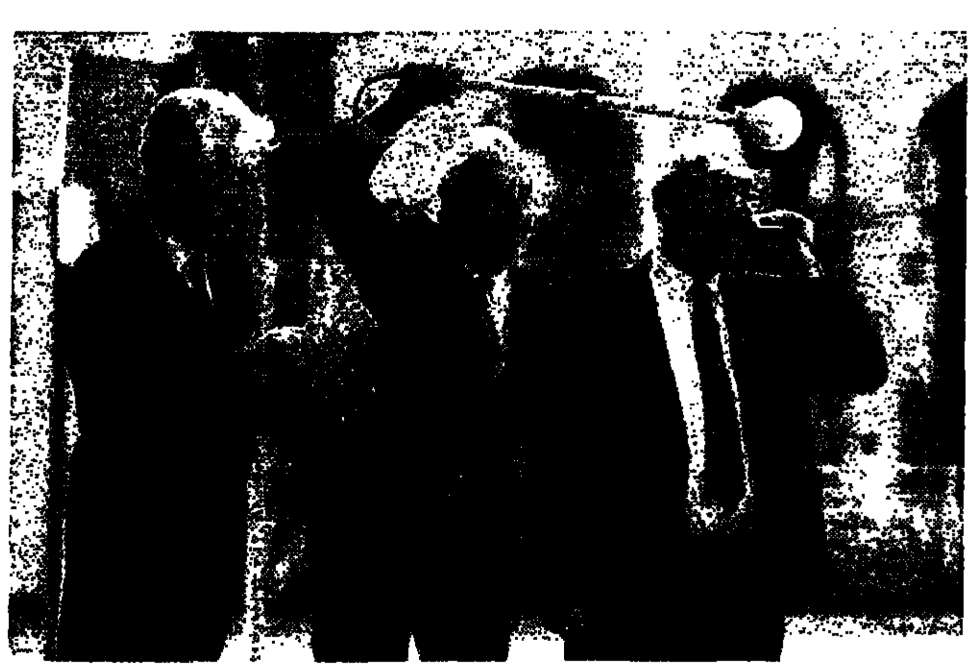
Commenting on the results, Mr Anthony Vice, chairman, said performance improved in the UK as a result of acquisitions and internal reorganisation, while in the US, higher profits reflected the beginnings of economic recovery.

However, he noted that in Germany the growing impact of recession led to a slowing down of sales growth and lower margins in the second half, while the group's associate in Japan reported lower profits "reflecting the general setback in that economy."

Among recent developments Bowthorpe has been building its specialist data acquisition and environmental sector business which now includes Penny & Giles, the aircraft black box manufacturer, acquired for £30m last May, and Odessa Engineering which was acquired for $10m (£7m).

Mr John Westhead, chief executive, said the group continues to search for new acquisitions.

Although profits reported by Penny & Giles were somewhat lower than the company had budgeted, Mr Westhead emphasised that short term economies from integration of the company proved greater than expected, and said the potential longer term benefits "remain considerable."



Tony Andrews

Global attraction: Anthony Vice has his cellular telephone checked for electromagnetic radiation by Colin McCarthy (left) and John Westhead

Celestion back on track with £11,000

By Hugh Carnegy

AN EXTENSIVE restructuring at Celestion Industries, which now concentrates on supplying lingerie and womens' swimwear almost exclusively to Marks and Spencer, saw the company return to the black last year after disposing of its audio division and Slix swimwear brand.

Pre-tax profits in 1992 were just £11,000 after a 1991 loss of £1.06m. But profits on continuing business more than trebled to £1.42m (£395,000).

A similar picture applied to sales. Overall turnover was £35.5m (£38.6m). But after stripping out results from Celestion Audio, sold last June, and Slix, sold in December, turnover for the remaining core business rose by 46 per cent from £19.8m to £28.9m.

Operating losses from the audio division and Slix totalled £1.2m (£1.03m). There was an extraordinary charge of £522,000 relating to the disposal of the businesses.

Mr Charles Ryder, chief executive, said the disposals left Celestion free to concentrate on building its business with M&S through Celestion Textiles and Vega, a lingerie supplier acquired last September.

He expected sales growth in Celestion Textiles this year to be in line with the 30 per cent achieved in 1992.

Earnings per share were 0.2p (5.1p losses). The single dividend is increased 17 per cent to 1.4p (1.2p).

Premier moves ahead to £16.8m

By Deborah Hargreaves

PREMIER Consolidated Oilfields lifted pre-tax profits for the 12 months to December 31 to £16.8m.

The outcome fell at the top end of analysts' expectations and the share price firmed 1p to 30½p.

The result compared with £9.64m for the previous nine months period.

The company's oil production reached a peak of 13,888 barrels a day as increased output at the Wytch Farm onshore oilfield and the Angus field in the North Sea came on stream.

Turnover amounted to £56m, including £53.2m from the UK; the comparative figure was £32m, of which £29.9m was in the UK.

Earnings per share were 2.9p against 1.72p. There is again no dividend but a 1-for-20 scrip issue is proposed.

"Our cash flow is quite robust," said Mr Charles Jamieson, chief executive, but he added that the company had decided not to pay a cash dividend for two reasons: the penalty it could incur on advance corporation tax, which it doesn't pay, and the need to fund future exploration.

He pointed to three developments that will add 45m barrels of oil equivalent (which includes gas) to the company's reserves over the next three years: the development of offshore drilling at Wytch Farm, the Fife oilfield in the North Sea and the Qadirpur field in Pakistan.

Hi-Tec shares near low point after resignations

By Angus Foster

SHARES IN Hi-Tec Sports, the sports and leisure wear company, yesterday headed back towards their all time low – touched in January – as the market reflected on Tuesday's resignation of the company's two newly appointed non-executive directors.

Sir Michael Edwardes, former chairman of British Leyland, and Mr Richard Fenhalls, chief executive of Henry Ansbacher, joined the Hi-Tec board in January and their sudden departure was largely overlooked by the stock market, which was concentrating on the Budget.

Yesterday the shares fell 5p to 40p, after touching 35p, just 5p above their all time low of 30p. Analysts said the departure of the two non-executives had raised worries about how Hi-Tec was managed and its trading outlook.

"When non-executives of this calibre resign simultaneously, one obviously draws a negative conclusion," one analyst said. Hi-Tec's position was not helped by the refusal of both sides to comment on the resignations.

Sir Michael and Mr Fenhalls were appointed by Hi-Tec chairman and 54 per cent shareholder Mr Frank van Wezel. Mr van Wezel last year came under pressure from institutional shareholders who feared he had too much control over the company.

But his choice of such high profile non-executives looks strange, as does their agreement to work under a man with a reputation for getting his own way. "Both sides could be accused of naivety," one observer said. "It seems they were unable to work together from the start and had different opinions of each others' roles," another said.

Hi-Tec's advisers stressed the company's trading situation had not declined in recent months. The company's broker Hoare Govett expects a pre-tax loss of £3m for the year just ended, but said the US market has started to improve and 1994 is forecast to see Hi-Tec return to a profit of about £4m.

BB&EA in the black at £1.4m

By Gary Evans

BRITISH Building and Engineering Appliances, the enlarged building related equipment and services group, returned to the black and to the dividend list in the six months to December 31.

With turnover up from £1.68m to £21m, reflecting the acquisitions that took place after new management took over in June 1992, the group turned in pre-tax profits of £1.41m for the period compared with £397,000 losses last time.

Mr Graham Brealey, chairman, announced that in difficult trading conditions the group achieved all its targets in the period – accordingly, it is paying an interim dividend of 2.5p (nil).

Earnings per share were 8.4p (22p losses).

Mr Brealey said that enquiry levels for the second quarter showed a considerable upturn and if the rate of conversion to orders remained at present levels, then the second six months should see an upturn in the level of work achieved.

Interim results were after a bad debt write-off of £234,000 which arose from one of the group's customers being forced into receivership.

Net assets at end-December were £26m with cash balances of £500,000. Total borrowings were £2.9m – including finance leases – giving gearing of 11 per cent.

Support for Control refinancing

By Maggie Urry

SHAREHOLDERS in Control Securities, the property and leisure group in refinancing talks with its banks, creditors and bondholders, yesterday gave the board unanimous support to continue negotiations.

At a special meeting called to consider what steps to take to rectify a fall in net assets, Mr Sydney Robin, chairman, told shareholders that if they did not support the board the company's creditors and lenders were unlikely to continue to do so.

Asked what the group's chances of survival were, Mr Robin said that a few weeks ago he had thought them to be 60:40 against but now felt they had swung to 60:40 in favour. Mr John Kerslake, finance director, said "it is evenly balanced but we remain cautiously optimistic".

Mr Robin told shareholders that the group was looking carefully at its public house estate and planned to sell those which were "not relevant to the company's future". The Belhaven Brewery could also be sold if an offer in the best interests of shareholders was received. Mr Kerslake said that sale memoranda were being prepared on a number of the assets.

The timetable for completion of the refinancing was still unclear. However, Mr Robin said that the property valuation carried out as at December 31 1992 had been prepared for the purposes of producing listing particulars for a relisting of the shares, which have been suspended since October 1991.

This valuation would only be good for that purpose until June 30, so the company aimed to complete the restructuring before then.

James Fisher falls to £1.5m and gloomy on trading

By Graham Deller

JAMES FISHER, the Cumbria-based shipping group, yesterday accompanied sharply reduced annual profit and dividend with a gloomy statement on current trading.

Despite a reduced deficit of £1m (£1.99m) from port operations, a lower contribution from the shipping side of £2.97m (£3.8m) and interest payable of £1.06m (£674,251) left the pre-tax line for the 12 months to end-December at £1.49m (£2.11m).

The outcome was struck after exceptional credits of £194,140 (£603,104) and came on overall turnover of £31.1m (£30.1m).

Directors said there were no signs of any improvement in trading conditions. "pressure on profit margins, aggressive competition and severe recessionary influences continue to affect every sphere... trading in the short term will continue to be extremely difficult."

The final dividend is just 0.5p for a total of 1p (5.5p), payable from earnings of 2.66p (6.84p) per share.

Spandex rises 6% to £4.46m

Spandex, which distributes and supplies signmaking computers and materials, raised pre-tax profits by 6 per cent from £4.2m to £4.46m in 1992, on sales also 6 per cent higher at £55m.

Earnings per share rose from 20.4p to 22.5p, while a final dividend of 4.6p makes a total for the year of 6.5p (6p).

Mr Charles Dobson, chairman of the USM-traded group, said net debt had been reduced from £7.2m at the end of 1991 to £4.3m at December 31 1992, thereby reducing gearing from 56 per cent to 29 per cent.

Sales of signmaking materials continued to grow in the year, increasing from £30.7m to £34.6m. Sales of Gerber computerised signmaking systems declined however, from £16.6m to £15m.

Ultramark, the self-adhesive materials manufacturing side, recorded a 20 per cent sales increase from £4.58m to £5.48m.

Pentland makes cables purchase

Pentland Group has acquired 80 per cent of Woods Wire, an electrical cables maker and distributor, for $5m (£3.5m) and assumption of net borrowings of about $35m. Both Woods' president and chief operating officer will retain a 20 per cent stake.

Abbey National chairman's pay up 33%

By John Gapper, Banking Correspondent

THE salary and benefits of the chairman of Abbey National rose 33 per cent last year, it was disclosed yesterday.

The annual accounts said that Sir Christopher Tugendhat received £211,575 last year after being paid £95,156 in 1991.

Abbey this month announced a 9 per cent fall in pre-tax profits to £564m for 1992 after doubling bad debt provisions.

Sir Christopher was paid only part of the 1991 total of £159,525 after becoming chairman in July that year.

Mr Peter Birch, chief executive, received £257,566 in pay and benefits, but no performance bonus. In 1991, he was paid £216,756 in salary and benefits, and a further £45,150 in performance bonuses.

Abbey paid £266,000 compensation to Mr Richard Baglin, former managing director for new business, who retired early in August. It paid £1.6bn in directors' fees, salaries and benefits.

NEWS DIGEST

Campari shares dive on warning

SHARES IN Campari International plunged 61p to 230p yesterday after the sporting leisurewear group warned that its 1992 profits would be below market expectations, with a fall from £5.27m to "not less than £1m".

The company said that trading conditions had been particularly difficult towards the end of 1992, while in addition, a decision to change the basis of stock provisioning would give rise to a charge of some £1.5m in excess of the previous year.

Despite the expected profits shortfall, Campari said it intended to maintain the total dividend at 12p.

Gestetner gives profit warning

The cost of reducing its workforce and difficulty in letting surplus property would have a negative effect on short-term profits at Gestetner Holdings, Mr Basil Sellers, chairman told the annual meeting.

He added that in the first quarter of the current year there had been increased pressure on machine sales in Europe, which accounted for 55 per cent of the total.

Trading had been particularly disappointing in France, Italy and Spain.

Textiles behind fall at British Mohair

A setback in its textile activities was behind a 20 per cent annual profits contraction at British Mohair Holdings.

On turnover ahead from £36.5m to £39.2m, pre-tax profits in 1992 amounted to £2.1m, down from £2.62m last time.

Mr Charles Fenton, chairman, said that both British Mohair Spinners and Geo Ackroyd had suffered from reduced activity. Any improvement in profit was unlikely until trading levels increased.

In contrast, profits in specialist engineering showed an increase over 1991.

The final dividend is held at 7.1p, maintaining the total at 8.5p, covered 1.3 times by earnings of 10.8p (13.71p) per share.

S Daniels improves in second half

Improved trading in the second six months at S Daniels, an importer and distributor for the food industry, resulted in a reduced pre-tax loss of £64,000 for 1992, compared with £105,000 in the first six months and £158,000 in 1991.

The results have been prepared under the FRS 3 accounting principles.

Turnover of continuing operations increased from £29.8m to £32.3m.

The loss was struck after a £101,000 deficit on disposal of discontinued operations, less a 1991 provision of £110,000.

The dividend is held at 0.25p. Losses per share were halved to 1p.

Avonside declines to £4.56m

Avonside Group, the building services and housebuilding group which operates in Scotland, northern England and Wales yesterday reported a pre-tax outcome of £4.56m in 1992 on almost static sales of £51.5m.

In its first full set of results since flotation last March the group saw a 42 per cent decline from £7.88m but paid a final dividend of 2.2p for a total of 4p. Earnings per share fell to 7.08p (12.4p).

Mr Christopher Glynn, chairman, said base rate fluctuations prior to the withdrawal from the Exchange Rate Mechanism had undermined confidence among housebuyers in the closing months of 1992. However, in 1993 an upturn had been identified following the reduction in real interest rates.

Avonside also reported the £480,000 cash acquisition of a glazing company to complement its BS heating subsidiary.

Molynx shares fall on loss warning

Molynx Holdings shares fell by 24 per cent, from 25p to 19p, yesterday, as the closed circuit television and computerised environmental control systems maker warned of an expected pre-tax loss of about £500,000 for 1992.

It does not expect to recommend payment of a final dividend.

Contrary to its earlier expectations, trading in the second half of 1992 had been severely affected by a disappointing performance from its US and German subsidiaries, the company said.

A rationalisation programme had been implemented to bring costs at those companies in line with the reduced trading levels.

Trading in the UK, Belgium and Norway had been satisfactory.

In the first half of 1992 pre-tax profits of £45,000 were reported and in 1991 the company made £1.92m.

Molynx's results are expected at the end of April.

Dunton hit by property provisions

Property provisions of £250,000 pushed Dunton Group, the brick manufacturer and civil engineer, deeper into the red with a pre-tax loss of £852,000 for the six months to November 30, against £252,000 last time.

Mr Clive Travers, chairman, said the board considered it prudent to make the provisions in the light of the continuing weak demand for commercial property.

The outcome was also affected by infrastructure costs at the joint venture at Barton-Le-Clay, and the cost of relocating its storage business to larger premises, neither of which will be repeated in the current year.

Interest charges took £694,000 (£751,000) and with no tax (same) losses per share increased from 0.54p to 1.73p.

WSP halved to 'satisfactory' £0.56m

Profits before tax at WSP Holdings, the consulting engineer, halved from £1.06m to £560,000 over the 12 months to December 31.

Nevertheless, Mr Geoffrey Williams, chairman, described the outcome as "satisfactory" given current trading conditions in the construction industry.

Turnover improved marginally to £10m (£9.64m) "demonstrating our ability to increase our share of a decreasing market at reduced but profitable margins," he added.

Earnings per share dropped from 7.2p to 3.8p. The final dividend is halved to 0.9p – "to retain working capital in the company" – reducing the total to 2p (2.9p).

Thorn's 17p deferred payment to Thames

Thorn-EMI, the parent company of Thames Television, is to pay an additional 17p per share to Thames' shareholders who accepted the leisure group's 1991 offer for the company which then held the London weekday franchise.

It is second of two contingent payments and represents 1p for each £1m by which the net UK television advertising revenue of Thames, and its subsidiaries, exceeded £240m, for the year ended December 31 1991.

Chieftain falls by 42% to £613,000

Chieftain Group, the USM-quoted supplier of specialist insulation and fireproofing services, blamed recession in the building and construction sectors for a 42 per cent decline in profits for 1992.

The fall, from £1.06m to £613,000 pre-tax – in line with the company's forecast – came on turnover ahead at £14.9m (£14.4m).

The position was exacerbated by delays in completion of a number of sizeable contracts.

Pressure on margins and reduced demand have led to the closure of the group's loss-making outlets in Watford and Port Talbot.

Chieftain ended the year with "minimal gearing" and a firm order book according to Mr Peter Wardle, chairman.

Earnings per share fell to 4.63p (8.27p) but the proposed final dividend is maintained at 3p, lifting the total to 5.1p (4.9p).

EFM Dragon bid acceptances

EFM Dragon said yesterday it had received acceptances from 39.7 per cent of shareholders of fellow investment trust Drayton Asia.

The all-share bid from EFM has been countered by reconstruction proposals from Drayton Asia, which offer shareholders the choice of a unit trust or a new split capital investment trust.

EFM Dragon had irrevocable acceptances, or letters of intent, from 36.7 per cent of the shareholders before the Drayton proposals were announced. It has extended its offer to March 30.

France seeks higher fish price floor

By Alice Rawsthorn in Paris and David Gardner in Brussels

FRANCE WILL today ask the European Commission's fisheries council meeting in Brussels for a 30 per cent increase in the minimum prices imposed on fish imports and for the suspension of imports of Russian cod.

Mr Charles Josselin, the French secretary of state for fish, announced these proposals at yesterday morning's cabinet meeting in Paris. He said he also planned to press the fisheries council to extend the minimum pricing system to cover more types of fish.

However, Mr David Curry, UK fisheries minister, said that what was needed was to ensure that the current minimum import price regime was enforced properly.

Meanwhile French fishermen, who have for the past few weeks staged stormy demonstrations against the increase in imports, stepped up the pressure on the government on the eve of the Brussels meeting with a series of violent protests throughout France.

More than 10,000 fishermen and their families marched in silence through the streets of Quimper in Brittany carrying banners emblazoned with the slogans "Do something. We're dying" and "Fish in Distress". The march ended with a rowdy demonstration outside police headquarters when fishermen pelted the building with missiles and rotting fish.

Riot police fired tear gas pellets at more than 800 militant fishermen in Nantes following a violent scuffle, in which protesters bombarded the police with stones, bottles and other makeshift missiles. Seven policemen were injured in the violence.

There were also clashes in southern France. Riot police used tear gas to try to calm a crowd of angry fishermen demonstrating in the old port of Marseilles. A policemen was seriously injured in a clash with fishermen at Bayonne when he was hit on the head by a missile.

Protest marches in Nimes and Montpellier ended with fishermen unleashing cargoes of fish outside the town halls. In Bourdeaux fishermen handed out free fish to passers-by during a peaceful demonstration.

The import problem is imposing intense financial pressure on the French fishing industry. Crédit Maritime Mutuel, the bank specialising in the fish trade, yesterday called on the government to take action to alleviate the financial problems now hitting many businesses.

Mr Curry, who met fishermen from Humberside in Brussels yesterday, said Russian white fish imports were still coming into the Community via Denmark and Germany.

He ruled out the possibility of a total ban on Russian fish. "We've got to be realistic," he said. "There's not going to be a majority in the Council to impose a flat import ban."

Instead he proposed:

- Effective policing of the minimum import prices set last month by the European Commission;
- Enforcement of hygiene rules;
- A re-examination of the tariffs and quotas agreed with the contries like Norway and Iceland, members of the European Free Trade Association;
- And a unilateral UK ban on British fishermen landing haddock and ungutted white fish, to discourage the current glut of small fish that is pulling down market prices.

Last October the UK set minimum landing sizes for whiting above EC sizes, and is shortly expected to do the same with lobster.

CAP-Gatt compatibility 'totally illusory'

By David Gardner in Brussels

THE EUROPEAN Commission's claims that the European Community-US agreement on the farm chapter of the Uruguay Round world trade liberalisation negotiations is compatible with last May's reform of the common agricultural policy are "totally illusory", France claimed yesterday.

The new French attack on the accord, reached last November in Washington, came as EC farm ministers examined the report prepared by senior officials of the 12, aimed at measuring its "compatibility" with the new CAP – which all member states have agreed needs to be established before it can go ahead.

It also comes as France's socialist government faces overwhelming defeat in Sunday's parliamentary elections.

Mr Jean Pierre Soisson, French agriculture minister, said the commission's claims that the reformed CAP fits into the undertakings Brussels has negotiated with the US under the Uruguay Round was based on "chancy techniques, optimistic interpretations, and arguable assertions".

"I don't believe in miracles," Mr Soisson said.

The current French government has threatened to veto the Washington agreement, even though it is not clear whether it can do so under EC law – unless it gets sufficient support from other member states. Leading members of the centre-right opposition, who look poised for a landslide in the elections, have spoken while on the stump of renegotiating both the Washington agreement and CAP reform, and even of boycotting the EC if the accord goes through.

Mr John Gummer, UK agriculture minister, said last night that the "compatibility" discussion was none the less "very muted". "It was left in a very general haze. . . as is suitable for the next two weeks." By then the French elections will be over, and on April 5 EC foreign ministers are expected to endorse the oilseeds part of the Washington agreement. This is separate from the Uruguay Round proper. But Mr Rene Steichen, EC agriculture commissioner, believes a US on the trade offensive against the EC might seek further concessions from the European agriculture unless it is quickly "banked".

Mr Ray MacSharry, the agriculture commissioner who negotiated the Washington accord, secured a deal allowing the EC to plant the same area of oilseeds as envisaged under CAP reform, an outcome better than the "bottom line" France drew at the time.

France's main disagreement is on the commission's projections for cereals, and in particular permitted levels of subsidised grains exports under the Uruguay Round arrangements. It claims increases in productivity will push EC output over the allowed limits by 1999.

But as one senior UK official put it, "the instruments are there under the reformed CAP to allow for further adjustments. It's a little bit bogus to sit down now and discuss cereals yields in 1999."

Mr Gummer summarised that "everybody accepted that if you accepted the [commission's] assumptions, then it was compatible; if you didn't, it wasn't".

LME pre-market trading prosposal raises storm

By Kenneth Gooding, Mining Correspondent

A STORM of protest has been raised by the London Metal Exchange Board's decision to have a pre-market trading session on the market floor to mop up the early morning business at present conducted via telephone links between traders' offices.

One prominent LME trader, who asked not to be identified, described the suggested move as "a pointless exercise. I don't think there is any LME ring-dealing member who sees any sense in it at all". He said it was "astounding" that the Board could have reached such a decision without first fully consulting all members.

Mr Hans Murmann, managing director of Metallgesellschaft's London metals trading subsidiary, said his company had previously studied the concept and "we are not at all sure it is a good idea".

He said it would take the LME closer to becoming a floor market or a computerised market, both unsuitable ways for the exchange to operate. It might also keep traders at the exchange for most of the day so that they would miss the essential rapport with colleagues responsible for customer liaison.

The LME Board said it hoped to have the new system operating before the end of this year. It would bring more business to the exchange and would better serve Far Eastern and Australasian clients.

Mr Murmann said it would be better for the LME to keep to two trading sessions a day but to have the first earlier in the morning make life easier for Far Eastern clients.

The Board acted after seeing a study by an LME external director into the membership structure. This study followed complaints by ring-dealing members that they were carrying a greater share of the burden of running the exchange and facing more risks than non-ring dealing members, but not getting commensurate returns.

Mr Raj Bagri, the LME's chairman, said yesterday that moving pre-market trading to the floor of the exchange would switch business back from non-ring to ring traders. Also, "it will bring more transparency and openness, which will be to the benefit of users of the exchange".

He pointed out that more than half the LME ring-dealing organisations were represented on the Board which had reached a unanimous decision to make the change.

Mr Bagri said LME members would be consulted about the details of the change. "It is the very strong wish of the Board to implement this proposal," he added.

Nymex vote goes against Guttman

By Laurie Morse in Chicago

Mr Z. Lou Guttman, chairman of the New York Mercantile Exchange since 1988, lost his bid for re-election on Tuesday to Mr Daniel Rappaport, a 39-year-old independent floor trader who is also an attorney. The defeat came after a stormy year in which Mr Guttman was accused by the Commodity Futures Trading Commission of violating trading rules.

Known for his brash style and his ability to get things done, Mr Guttman helped build the Nymex into one of the most successful futures markets in the world. The exchange had pre-tax earnings of $27m last year, and about $100m cash in reserve.

Unlike some of its New York neighbours Nymex's volume is booming and seat prices have doubled during Mr Guttman's term in office. The exchange has the largest crude oil market in the world and has successfully diversified its energy lines into natural gas and other products.

Despite the successes Mr Guttman's legal problems were feared to reflect unfavourably on the exchange and its customers. The CFTC delivered its civil charges against Mr. Guttman less than a month ago, after warning him in July that a case was pending. The Nymex Board immediately asked Mr Guttman to step down, but, true to his style, he refused, saying he would defend himself against the charges, and that the membership should have the right to choose its leadership.

Some Nymex members thought Mr Guttman's efforts to keep New York's futures exchanges in business after the February 26 bomb blast at the World Trade Center would help his re-election effort. He is credited with convincing police and fire officials that the markets should open, despite impaired ventilation and fire protection systems at the WTC trading facility.

Mr Rappaport defeated Mr Guttman by 386 votes to 213. The new chairman strongly supports the Nymex's move to a new trading facility in mid-1994 and he sees potential in the exchange's Access electronic trading system, which is to be introduced this year.

Mr Rappaport also would like to see more co-operation between New York exchanges. His election could pave the way for another Nymex bid for the ailing New York Commodity Exchange. The Comex is currently entertaining takeover offers from the Chicago Board of Trade and a smaller New York market, the Coffee, Sugar and Cocoa Exchange.

PNG gold mine dispute settled

By Kevin Brown in Sydney

A DISPUTE over shareholdings in the Porgera gold mine in Papua New Guinea ended yesterday when the government agreed to pay Kina 138.75m (£98m) to increase its stake from 10 per cent to 25 per cent.

The deal will reduce the equity of the three Australian-controlled joint venture partners – Placer Pacific, Renison Goldfields and Highlands Gold, a subsidiary of MIM Holdings – from 30 per cent each to 25 per cent each.

However, the government dropped claims that it had been misled by the joint venturers about the potential profitability of Porgera, the biggest gold mine outside South Africa.

Mr Masket Iangalio, mining minister, said the government accepted that the joint venture partners did not withhold technical information before the granting of mining approval in 1989. He said the government's decision to seek further equity was taken to meet national priorities and ensure the long-term stability of the project. "No-one could argue that this is not a good deal for PNG, he said."

The government will pay for the additional 15 per cent stake from its share of profits from the mine, probably over about 15 years.

The transaction will be free of tax, and the joint venture partners will be allowed depreciation benefits until the shares are fully paid for. The government will pay interest on the outstanding balance at 5 per cent a year.

It has also agreed to resolve separate disputes about town site development, access to the mine and security from attacks by local landowners.

The joint venture companies said they had agreed to pay for 75 per cent of a K50m spending package over 10 years to improve infrastructure in Enga province, the isolated region which surrounds the mine.

Joint venture officials said that the deal was "pretty good, under the circumstances". The sale price of the shares is believed to be close to book value after including the beneficial taxation effects.

Porgera, which began production in 1990, is expected to produce 1.4m troy ounces of gold this year, and at least 900,000 ounces a year in the next three years.

Debts force closure of Dominican unit

By Canute James in Kingston, Jamaica

ROSARIO DOMINICANA, the Dominican Republic's state-owned gold miner, has been forced to close because of increasing debts and mounting production costs. The company says its operations, centred on the Pueblo Viejo mine near the city of Cotui, have been adversely affected by falling prices for gold since 1985, and by steadily falling production.

The closure has angered the company's workers and their unions, and paramilitary units have been posted at the mines as sacked employees plan protests against the closure.

Rosario Dominicana says its best years were between 1980 and 1985. In 1980 it produced 370.94 troy ounces of gold and sold it at $612 an ounce. In that year it also produced 1.6m ounces of silver, which was sold at $19.59 an ounce.

Its gold production rose to 412.99 ounces in 1981, but that the price had fallen to $460 an ounce. A significant decline in the company's fortunes began after 1985 and in 1987 gold production of only 246.39 ounces fetched $384 per ounce. Last year the average price it received for gold was down to $343 an ounce and on March 10 this year it averaged $326.3 an ounce.

The company says the fall in prices coincided with an accumulation of debts that could not be serviced. The debt to foreign and local banks is $52.8m, while it owes the equivalent of $2.88m in production incentive payments and bonuses to its workers for 1991 and 1992, and $36m to its foreign and local contractors.

Operations have also been affected by increasing production costs. In the past two years it cost the company an average of $535 to produce an ounce of gold, with the average selling price being $352.

In closing its mines at Pueblo Viejo, the company is suspending 70 per cent of its workforce and reducing the wages of those being kept on for routine maintenance.

Senior government officials said yesterday that they were uncertain about the duration of the closure of the company's mining operations. They said the first priority would be studying the company's financial situation to determine how its obligations to all its creditors could be met.

Placer 'to pull out of Chile deal'

By Kenneth Gooding, Mining Correspondent

PLACER DOME, Canada's biggest gold producer, will almost certainly withdraw from the Leonor copper project in Chile, according to Mr Peter McAleer, chief executive of Equatorial Gold, the small Australian company that owns the project.

Placer has until April 2 to decide whether to take up an option to earn 70 per cent of Leonor by spending US$80m to bring the project into production. Leonor, which is midway between Chuquicamata, the biggest copper mine in the world, and Escondida, the third largest, is scheduled to produce about 30,000 tonnes of copper in cathodes annually for 10 years.

Mr McAleer says he is "very unhappy" with the lack of progress Placer has made in assessing the project. "Placer has not done the ground work necessary to make a decision in April. In any case, I do not believe Placer will want to focus on what for them is a relatively small operation."

Since taking up its option on Leonor, Mr McAleer points out, Placer has acquired a 50 per cent interest in the nearby Zaldivar copper project for $100m and has committed itself to finding another $400m of project finance to bring a mine into production. Zaldivar, in which Placer's partner is Outokumpu of Finland, is forecast to produce more than 100,000 tonnes of copper a year at about 50 cents a lb for at least 20 years.

A Placer official yesterday denied that his company had not done enough work to assess Leonor. However, he said that, while he could not anticipate Placer's final decision, the future of Leonor depended on it being developed with an adjoining property. "Leonor on its own is not so attractive."

Mr McAleer says talks have been held in the past with Antofagasta, the mining, railways and water group, which owns the neighbouring Sorpresa copper deposit. Both parties agreed that it made sense to combine Leonor and Sorpresa into an operation that would produce 50,000 tonnes of copper a year for 13 years. However, Antofagasta has withdrawn from negotiations and no longer seems interested in the proposition.

Rather than delay the project for another year, which would probably be necessary if Equatorial sought another big partner, his company will raise equity and debt finance for the project in Chile and possibly from potential Japanese customers.

WORLD COMMODITIES PRICES

MARKET REPORT

London's May robusta **COFFEE** contract fell through support at $900 a tonne to close at $882, down $27. Traders said the market was now out of its trading range, and had a very bearish overtone. "There are no good signs in the market except for some fresh longs in New York," said one. Chicago **WHEAT** prices were sharply higher at midday on short covering by the funds. The USDA targeted several African and Baltic countries for the sale of 1.5m tonnes of EEP wheat, which must be registered before June 30. **SOYABEANS** jumped higher on stop-loss buying as the market shed some discontent regarding Russia's financial and political situation. New York raw **SUGAR** futures were modestly higher at midday after choppy morning trading that saw players unsure which side of the market they should be on. Analysts said that after this week's volatile trading, a further corrective fall to Friday's high of 10.67 cents a lb might be needed before the recent upswing could resume.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(May)		+ or -
Dubai	$16.31-6.40u	+.075
Brent Blend (dated)	$18.56-8.59u	+.025
Brent Blend (May)	$18.76-8.78	+0.09
W.T.I (1 pm est)	$20.36-0.38u	+.135
Oil products		
(NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$199-201	+0.5
Gas Oil	$177-178‡	+2.0
Heavy Fuel Oil	$75-77	
Naphtha	$171-172	-1.0
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$329.05	+0.30
Silver (per troy oz)♣	365.50c	
Platinum (per troy oz)	$348.25	-1.60
Palladium (per troy oz)	$104.65	-0.60
Copper (US Producer)	100.5c	
Lead (US Producer)	33.5c	
Tin (Kuala Lumpur market)	14.22r	-0.27
Tin (New York)	258.5c	-3.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	132.90p	-4.11*
Sheep (live weight)†♣	114.24p	-1.78*
Pigs (live weight)†	91.28p	+0.68*
London daily sugar (raw)	$269.8	-10.2
London daily sugar (white)	$267.0	-4.5
Tate and Lyle export price	£298.0	-9.5
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£171.0	
Wheat (US Dark Northern)	Unq	
Rubber (Apr)♥	63.75p	
Rubber (May)♥	64.25p	
Rubber (KL RSS No 1 Feb)	219.0m	-1.0
Coconut oil (Philippines)§	$430.0y	-2.5
Palm Oil (Malaysian)§	$410.0x	
Copra (Philippines)§	$262.5	
Soyabeans (US)	£180.0	-1.0
Cotton "A" index	61.95c	-0.40
Wooltops (64s Super)	392p	

£ a tonne unless otherwise stated. p-pence/kg c-cents/lb r-ringgit/kg. y-Apr/May u-May x-Apr. ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices * change from a week ago, provisional prices. ‡ - Corrected figure Gas Oil 16/3/93 $175-176

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
May	244.20	244.20	243.00	
Aug	249.00	249.00	248.00	
Oct	223.00	223.00	221.40	
White	**Close**	**Previous**	**High/Low**	
May	289.30	288.00	288.50	284.50
Aug	291.00	291.00	290.50	286.30
Oct	272.00	270.00	270.50	267.00

Turnover: Raw 27 (165) lots of 50 tonnes. White 842 (2564) Paris- White (FFr per tonne): May 1628.77 Aug 1674.32

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
May	18.80	18.64	18.81	18.53
Jun	18.87	18.75	18.87	18.60
Jul	18.84	18.69	18.84	18.60
Aug	18.85	18.76	18.85	18.76
Sep	18.82	18.79	18.83	18.69
Oct	18.80	18.79	18.80	18.66
Nov	18.80	18.78	18.80	
IPE Index	18.62	18.90		

Turnover 23423 (40365)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Apr	174.00	172.50	174.00	171.25
May	172.25	170.75	172.25	169.75
Jun	171.50	170.50	171.50	169.75
Jul	172.75	171.50	172.25	170.50
Aug	174.25	173.25	174.25	172.75
Sep	176.00	175.00	176.00	174.75
Oct	178.75	176.00	177.50	
Nov	180.25	179.50	180.25	179.50
Dec	182.00	181.75	182.25	181.25
Jan	181.75		182.25	182.00

Turnover 11558 (2593) lots of 100 tonnes

WOOL

The Australian wool market is continuing to ease steadily. Individual woolgrowers are again attempting to stand out for more economic prices by withdrawing wool either before or during each sale, but even with offerings down by a third from amounts originally scheduled, prices are still drifting to new low points for the season. The downward price trend itself helps to check buying confidence which is already widely affected by recession in major wool using countries, more particularly on the continent of Europe during recent months.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Mar	695	690	695	689
May	702	699	708	698
Jul	714	712	719	711
Sep	726	724	728	725
Dec	744	744	747	744
Mar	763	763	766	764
May	777	776	779	776

Turnover: 2055 (2468) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Mar 16 700.79 (710.56) 10 day average for Mar 17 699.83 (704.32)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low	
Mar	900	945	940	900
May	882	909	900	878
Jul	857	875	871	865
Sep	871	884	878	867
Nov	882	896	889	880
Jan	896	908	898	889

Turnover:4736 (3633) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Mar 16: Comp. daily 54.36 (55.89) 15 day average 56.36 (56.59)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Apr	42.0	40.6	42.0	40.5
May	44.5		43.5	

Turnover 68 (37) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Aug	-	144.00	

Turnover 0 (20) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
Mar	1463	1440	1463	1451
Apr	1430	1418	1435	1425
May	1395	1380	1395	1390
Jul	1248	1240	1248	1245
BFI	1459	1450	1459	

Turnover 134 (255)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Mar	143.00	142.25	143.00	
May	143.75	143.50	143.75	143.25
Jun	144.70	144.75	144.75	144.70
Nov	111.25	111.25	111.25	111.20
Barley	**Close**	**Previous**	**High/Low**	
Mar	140.75	140.50	140.75	

Turnover: Wheat 68 (103), Barley 5 (5).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Apr	115.0	115.5	115.0
May	115.0		115.0
Jun	112.0		112.0
Aug	106.0		106.0
Oct	106.0		106.0
Nov	106.0		106.0

Turnover 11 (24) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 28,929 lots	
Cash	1141.5-42.5	1144.5-45.5	1143	1142.5-3		
3 months	1164-64.5	1166.5-67	1167/1164	1165.5-6	1164-4.5	161,590 lots
Copper, Grade A (£ per tonne)					Total daily turnover 30,785 lots	
Cash	1488.5-89.5	1491.5-92.5	1482.5	1482-2.5		
3 months	1514.5-15	1517.5-18	1515/1508.5	1508-8.5	1510-1	155,331 lots
Lead (£ per tonne)					Total daily turnover 4,451 lots	
Cash	273.5-74.5	272.5-3.5		273-3.5		
3 months	283-84	282-83	284/283	283-3.5	283.5-4	19,506 lots
Nickel ($ per tonne)					Total daily turnover 4,678 lots	
Cash	5870-75	5875-78		5895-900		
3 months	5940-45	5937-40	5975/5930	5960-5	5945-50	39,912 lots
Tin ($ per tonne)					Total daily turnover 2,431 lots	
Cash	5565-75	5520-30		5555-60		
3 months	5630-35	5585-90	5650/5610	5616-9	5640-5	8,201 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 12,268 lots	
Cash	992-93	994.5-95.5	990	990-0.5		
3 months	1012-13	1013-14	1015/1010	1010.5-1	1012.5-3	68,650 lots

LME Closing £/$ rate:
SPOT: 1.4505 3 months: 1.4409 6 months: 1.4334 9 months: 1.4273

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	328.90-329.20	
Opening	328.30-328.70	
Morning fix	328.65	226.624
Afternoon fix	328.75	225.846
Day's high	329.00-329.30	
Day's low	328.40-328.70	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.56	6 months	2.44
2 months	2.53	12 months	2.47
3 months	2.48		

Silver fix	p/troy oz	US cts equiv
Spot	252.25	365.85
3 months	256.05	368.80
6 months	259.50	371.80
12 months	265.80	378.00

GOLD COINS

	$ price	£ equivalent
Krugerrand	328.00-331.00	227.00-229.00
Maple leaf	338.45-340.65	
New Sovereign	78.00-81.00	54.00-56.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Apr	Jul	Apr	Jul
1125	29	58	3	10
1150	12	42	11	18
1175	3	28	27	29
Copper (Grade A)	**Calls**		**Puts**	
2100	72	105	3	19
2150	34	72	15	36
2200	12	48	42	59
Coffee	**May**	**Jul**	**May**	**Jul**
850	53	52	21	45
900	27	32	45	75
950	13	20	81	113
Cocoa	**May**	**Jul**	**May**	**Jul**
725	22	45	20	32
750	12	33	35	45
775	6	25	54	62
Brent Crude	**May**	**Jun**	**May**	**Jun**
1850	53	45	30	-
1900	18	27	62	46
1950	13	19	-	-

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Mar	329.3	328.1	0	0
Apr	329.7	329.8	330.1	329.0
May	330.3	330.2	0	0
Jun	331.0	330.9	331.5	330.4
Aug	332.3	332.2	332.6	331.6
Oct	333.7	333.7	0	0
Dec	335.2	335.1	335.7	334.6
Feb	336.8	336.7	0	0
Apr	338.4	338.3	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	348.2	349.0	349.6	348.0
Jul	348.2	348.8	349.5	347.5
Oct	348.2	348.6	349.0	347.0
Jan	347.2	347.6	347.0	347.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Mar	362.3	364.8	364.0	362.5
Apr	363.2	365.5	0	0
May	364.3	366.5	366.5	363.0
Jul	366.7	368.9	368.5	365.0
Sep	369.1	371.3	370.5	369.0
Dec	372.7	374.9	375.0	372.0
Jan	373.1	375.3	0	0
Mar	378.5	378.7	378.0	377.5
May	379.1	381.3	380.5	380.5
Jul	381.6	384.0	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	95.60	96.40	96.25	95.75
Apr	96.05	96.70	96.35	96.00
May	96.50	97.10	97.10	96.25
Jun	96.90	97.50	0	0
Jul	97.25	97.85	97.80	97.15
Aug	97.65	98.20	0	0
Sep	98.00	98.55	98.35	98.00
Oct	98.15	98.70	0	0
Nov	98.40	98.95	0	0
Dec	98.75	99.30	99.15	98.65

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Apr	20.28	20.13	20.27	19.98
May	20.42	20.28	20.42	20.12
Jun	20.47	20.32	20.47	20.19
Jul	20.52	20.38	20.53	20.26
Aug	20.52	20.41	20.52	20.30
Sep	20.48	20.40	20.48	20.30
Oct	20.37	20.39	20.37	20.29
Nov	20.35	20.38	20.38	20.29
Dec	20.35	20.36	20.36	20.27
Jan	20.30	20.33	20.32	20.30

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Apr	58.20	58.09	58.25	57.20
May	57.15	56.95	57.15	56.30
Jun	56.25	56.05	56.25	55.50
Jul	56.05	55.99	56.05	55.50
Aug	56.40	56.54	56.40	56.05
Sep	57.50	57.49	57.50	57.05
Oct	58.35	58.44	58.35	58.35
Nov	59.24	59.24	0	0
Dec	60.00	60.04	60.05	59.80
Jan	60.41	60.41	60.41	60.26

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	897	903	907	891
Jul	920	925	927	915
Sep	942	948	945	938
Dec	979	985	983	978
Mar	1009	1015	0	0
May	1031	1037	0	0
Jul	1049	1055	0	0
Sep	1071	1077	0	0
Dec	1101	1102	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	59.90	59.50	61.00	60.50
May	60.70	60.55	61.75	59.50
Jul	62.50	62.35	63.35	61.70
Sep	64.00	64.00	65.00	63.45
Dec	66.45	66.45	67.15	65.80
Mar	68.65	68.90	69.50	68.60
May	69.50	70.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	11.11	11.00	11.14	10.93
Jul	11.36	11.22	11.37	11.15
Oct	10.28	10.15	10.29	10.11
Mar	9.71	9.63	9.72	9.58
May	9.67	9.61	9.67	9.63
Jul	9.70	9.64	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	61.80	63.55	63.75	61.55
Jul	62.48	64.47	64.60	62.47
Oct	62.40	63.80	63.94	62.40
Dec	61.22	62.27	62.50	61.10
Mar	62.20	63.02	63.05	62.00
May	62.90	63.62	63.60	62.90

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	77.65	75.25	77.95	76.50
May	80.05	77.65	80.30	78.00
Jul	83.00	80.30	83.10	81.00
Sep	85.55	83.00	85.60	83.80
Nov	87.55	85.00	88.00	86.80
Jan	89.15	87.85	90.80	89.45
Mar	90.25	89.50	92.00	91.50
May	90.25	89.50	0	0
Jul	90.25	91.90	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Mar 17	Mar 16	mnth ago	yr ago
1783.4	1778.4	1772.6	1615.3

DOW JONES (Base: Dec. 31 1974 = 100)

	Mar 16	Mar 15	mnth ago	yr ago
Spot	125.51	125.46	125.30	117.10
Futures	131.27	132.51	126.01	122.06

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	584/0	580/4	585/0	580/6
May	585/6	581/4	587/4	582/2
Jul	590/6	586/6	592/4	587/4
Aug	593/0	589/0	594/4	590/0
Sep	594/6	590/4	596/2	591/4
Nov	600/2	596/4	603/4	596/6
Jan	608/2	604/4	610/0	605/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	20.92	20.75	21.02	20.78
May	21.15	20.96	21.25	21.03
Jul	21.39	21.19	21.48	21.27
Aug	21.46	21.28	21.52	21.37
Sep	21.52	21.36	21.62	21.45
Oct	21.59	21.40	21.65	21.59
Dec	21.73	21.61	21.82	21.68
Jan	21.76	21.65	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	180.9	179.5	181.5	179.4
May	182.4	181.1	183.1	180.9
Jul	184.1	182.9	184.9	182.8
Aug	185.2	183.8	186.1	184.1
Sep	186.4	185.0	187.4	185.3
Oct	187.6	186.6	188.3	186.5
Dec	190.6	189.6	191.3	189.4
Jan	191.0	189.5	191.5	191.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	218/0	215/2	218/4	215/6
May	223/2	221/0	224/4	221/2
Jul	230/0	227/4	231/2	227/6
Sep	235/2	233/0	236/2	233/2
Dec	242/6	240/2	244/0	240/6
Mar	249/2	247/0	250/0	247/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	392/4	380/6	394/0	385/0
May	338/0	332/2	341/0	335/0
Jul	306/6	304/6	308/4	305/2
Sep	309/6	308/2	311/4	308/6
Dec	318/6	316/4	319/4	316/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	82.350	82.675	82.825	82.250
Jun	76.550	76.675	76.850	76.500
Aug	73.350	73.075	73.400	73.025
Oct	73.275	72.925	73.350	72.950
Dec	73.275	72.925	73.300	72.950
Feb	72.600	72.275	72.750	72.400

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	48.875	49.200	49.225	48.800
Jun	53.575	53.750	53.950	53.475
Jul	51.600	51.625	51.900	51.475
Aug	49.000	48.850	49.050	48.600
Oct	44.425	44.450	44.650	44.250
Dec	45.050	45.100	45.050	44.800
Feb	45.100	45.225	0	45.100

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	48.400	49.975	49.500	48.750
May	50.100	51.250	51.750	49.250
Jul	50.625	51.700	52.050	50.000
Aug	47.950	49.400	49.800	47.850
Feb	49.500	50.550	51.100	49.300

LONDON STOCK EXCHANGE

No Budget joy for the equity market

By Terry Byland, UK Stock Market Editor

MR LAMONT'S Budget proved no favourite of the UK stock market yesterday and, although selling pressure was not heavy, share prices gave ground steadily. Uncertainty over the implications of some corporate tax changes was reflected in "the quietest post-Budget trading session recorded", said a senior trader at one of the largest integrated houses.

The chief objections were the chancellor's apparent coolness towards hopes for another base rate cut and his changes to ACT (Advance Corporation Tax), and to foreign income dividends by UK companies. NatWest Securities warned that the new levels of ACT implied a drop on the gross yield on the equity market on April 6.

The stock market was saved from the worst by a steadier performance by government bonds and by stock index futures. But the FT-SE 100 Index closed 29.4 down at 2,889.9. Although generally negative on the Budget, most London securities houses kept year-end Footsie forecasts unchanged – at 2,850 at Strauss Turnbull and 3,000 at Nikko; Hoare Govett trimmed its 1993 forecast to 3,150 from 3,200.

While there were sharp falls in many overseas-earning companies, which could be affected by the foreign income dividend proposals, few recorded significant trading volume. Analysts struggled to comprehend and assess the new proposals, at least one leading house promising clients a "consultative document". The dividend tax change has significant implications for UK pension funds.

The stock market opened nervously lower following a round of generally bearish morning meetings at most trading firms. There was little selling, however, and the loss on the Footsie was held to around 16 points until stock index futures opened lower and at a discount, when the loss on the index was extended to 36.2.

But this level of 2,883.1 proved to be the low of the day. Two US sellers of the Footsie future late on Tuesday stood on the sidelines yesterday and both the future contract and the FT-SE 100 Index itself steadied. For the rest of the session, the market traded quietly, with both buyers and sellers evident, but not on any great scale.

Not all market strategists were prepared to abandon expectations of a base rate cut because of the chancellor's apparently negative stance. Attention now focuses on today's meeting of the Bundesbank policy council, where the chances of a reduction in the Lombard rate appear high.

However, a good performance from store and retail shares was ascribed not to base rate optimism but to the latest UK retail sales figures, showing a modest gain for last month but an upward revision of the January data.

Oil issues provided the firmest spots in the market as investors continued to respond to the Budget news of lower Petroleum Revenue Tax on existing oil fields. US buyers were active here but their efforts were counterbalanced by US selling of the pharmaceutical stocks.

The activity in these two prominent market sectors boosted Seaq volume to 671.7m shares from the 492m of the previous day, when retail business was worth £1.30bn. Non-Footsie trade fell back to a more normal 57 per cent of the total yesterday.

TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down

Account Dealing Dates

*First Dealings:		
Mar 1	Mar 15	Mar 29
Option Declarations:		
Mar 11	Mar 25	Apr 16
Last Dealings:		
Mar 12	Mar 26	Apr 18
Account Day:		
Mar 22	Apr 5	Apr 26

*New time dealings may take place from 8.30am two business days earlier.

Mauling for drug shares

A BEARISH story on the drug stocks in the US press, together with profits warnings from two leading US groups, brought renewed pressure on a thoroughly depressed pharmaceuticals sector.

Marion Merrell Dow shocked Wall Street by announcing that its first-quarter numbers would be substantially lower than those of the same period last year, while Eli Lilley plunged more than 5 per cent after a similar warning.

A story in the Washington Post, warning of a possible freeze on drug prices, set the seal on what was always going to be a difficult day for one of the UK market's biggest sectors and an area that has endured unpleasant shocks in recent weeks.

Glaxo, badly mauled by the market after criticisms from the US Food and Drug Administration (FDA) recently over claims for its Zantic anti-ulcer drug, and still reeling from the resignation of Mr Ernest Mario, its former chief executive and deputy chairman, dropped 14 to 633p on a large turnover of 5.6m shares.

SmithKline Beecham shares, heavily sold in London after the FDA rejected approval of its much-vaunted anti-nausea drug Kytril, ran back 14½ to 447½p with 2m shares changing hands. Wellcome finished 23 down at 902p and ICI 14 cheaper at 1208p.

BP 16-month high

The oil sector remained very much in the front line as the market reassessed the implications of changes in petroleum revenue tax and the proposed changes in advance corporation tax.

The market quickly made up its mind that the biggest winner from the Budget moves was British Petroleum, whose shares followed Tuesday's 9 gain with a further rise of 9¼ to 304¼p, the stock's highest closing level since November 1991. Turnover was a hefty 22m shares. Shell Transport, however, settled 2 off at 578p. Enterprise Oil jumped 13 to 505p and Lasmo edged up 3 to 189p.

One sector specialist said: "The simple conclusion has to be that the moves favour the big companies at the expense of the so-called tiddlers; the companies paying high levels of petroleum revenue tax, for example BP and Enterprise Oil, as well as Lasmo, are the major beneficiaries. The small companies who have organised their assets in a tax efficient manner are having the rug pulled from beneath them."

The smaller stocks edged higher at the outset but quickly came under severe pressure. Clyde Petroleum settled 7½ down at 52½p, Goal dropped 4½ to 61p and Aran dipped 2¼ to 25¼p.

Utilities rally

The utilities areas of the market were given a thorough mauling by marketmakers at the outset of trading, with share prices commonly marked down by around 2 per cent after the Budget moves to introduce VAT on domestic fuel and power from April 1994. The reduction in advance corporation tax was seen as a small plus for the water stocks.

But early losses in the utilities were quickly regained and replaced by large-scale rises as dealers reported a sudden burst of buying interest, apparently from institutions seeking high yields and top quality dividend potential.

Southern Electric, the only regional electricity stock in the FT-SE 100, fell to 471p but rebounded to end a net 7 up at 487p. The power generators were virtually unchanged on balance but water shares ended a busy day with good gains. Of the Footsie stocks, Anglian gained a net 7 at 529p, after 518p, as did North West, at 517p, after 507p.

The banks sector was one of the few areas of the market to attract any sustained buying interest. Barclays was the pick of the banks, closing a net 5 higher at 405p, after heavy turnover of 8m shares, with US investors said to have been keen supporters of the stock, in spite of the recent halved dividend and the £2.5bn worth of provisions against bad debts. A round of visits to UK institutions by Mr Andrew Buxton, Barclays' chairman is also said to have gone down well.

Details of the January retail sales, which accompanied the February headline figure, helped several stores stocks. The statistics showed footwear sales up 23 per cent and womenswear ahead 22 per cent. Among those benefiting, Stylo was steady at 126p, Storehouse up a penny at 198p, as was Sears at 96p. Burton rose 1½ at 78p in busy turnover of 9.4m.

Talk that Dixons had hit a patch of dull trading, together with a downgrade, knocked the shares, which tumbled 10 to 223p. Analysts who had recently met the high street electrical retailer said that its US business was thought to be continuing flat and that the UK recovery had slowed. Morgan Stanley was said to have downgraded its current year forecast by around 15 per cent.

Higher costs at Boots were said to be behind a downgrade from Nomura, but the house stressed they were one-off and did not affect the fundamentals. The shares fell 11 to 506p.

Relief that VAT had not been levied on books and newspapers lifted the tightly-held J Menzies 20 to 471p and WH Smith 3 to 450p. EMAP, up 16 at 348p, Telegraph, ahead 7 at 337p, Trinity International, forward 9 at 323p and United Newspapers, 12 to the good at 547p, were also beneficiaries.

VAT relief was short-lived among the food retail stocks, where an initial rise was quickly wiped out as sellers moved into the market. Argyll Group tumbled 9 to 375p with 5.1m traded. J Sainsbury declined a penny to 518p and Tesco lost 8 to 252p in turnover of 10m. Asda, which is reportedly giving out bullish sales talk in meetings with analysts, added 1¼ to 73¾p. Takeover talk was again heard around Nurdin and Peacock as the shares surged 16 to 218p.

Firm sugar prices and a determined buyer were said to be behind the rise in Tate & Lyle, 3 ahead at 432p. United Biscuits was strong ahead of results today where a confident statement is being predicted. The shares put on 2 to 388p.

A gloomy leisure sector was enlivened by talk of possible advanced corporation tax benefits to selected leisure stocks, although analysts remained both frustrated by lack of detailed information and divided over the exact amounts. The sentiment helped Rank Organisation, which improved from early weakness to close 6 off at 666p, Ladbroke, finally only 2 easier at 195p, and Forte, 4 off at 197p.

Hi-Tec shares reacted badly to news of the departure on Tuesday of non-executive directors Sir Michael Edwardes andMr Richard Fenhalls. The stock touched 35p before recovering to end at 40p for a fall of 9 on the day. They had been with the board less than two weeks.

Investors continued to hunt for yield attractions in the property sector. Frogmore Estates jumped 20 to 391p, Greycoat added 1½ to 15½p, Hammerson 'A', where bid speculation continues, gained 9 to 375p and Land Securities rose a penny to 506p on 5.2m traded.

Bargain hunters in Gestetner, together with suggestions that the full year's dividend may be maintained, helped the stock brush aside a warning from the chairman at the annual meeting that profits will be hit in the short term by falling sales, redundancy and property letting costs. Having retreated over the last two sessions following a sell recommendation from NatWest Securities, they closed 7 up at 123p. However, the securities house maintained that it still expected a "hard landing" for the stock due to continued weakness in its European markets.

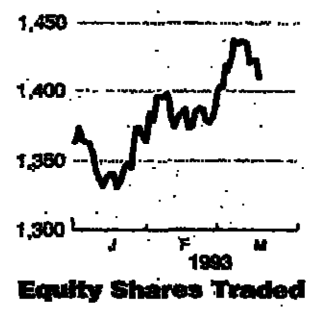
News of the appointment a new finance director at TI Group cheered the market sending the shares forward. They hardened 6 to 325p, after trade of 3m. Yield buyers for APV ahead of figures next week helped the shares add 5¼ to 120½p.

Among transport stocks, the UK chancellor's commitment to a high speed rail link between London and the Channel tunnel boosted tunnel operator Eurotunnel and the shares improved 4 to 489p.

MARKET REPORTERS:
Christopher Price,
Joel Kibazo,
Steve Thompson.

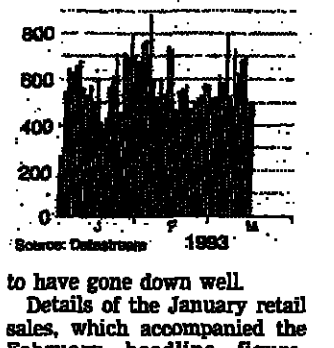
■ Other market statistics, Page 19

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business & Overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1992/93

NEW HIGHS (125).
BRITISH FUNDS (12) Treas. 4⅝pc IL '98, Treas. 2½pc IL '01, Treas. 2½pc IL '03, Treas. 4⅜pc IL '04, Treas. 2pc IL '06, Treas. 2½pc IL '09, Treas. 2½pc IL '11, Treas. 2½pc IL '13, Treas. 2½pc IL '16, Treas. 2½pc IL '20, Treas. 2pc IL '24, Treas. 4⅛pc IL '30, AMERICANS (1) Citicorp, CANADIANS (1) Trans Can Pipe, BANKS (3) Asahi, Fuji, Natl. Aust., BREWERS (4) Boddington, Bulmer, Greene King, Holt, BLDG MATLS (1) Sheffield Insltns., BUSINESS SERVS (1) Johnson Cleaners, CHEMS (2) BTR Nylex, Halstead, ELECTRICALS (3) Emess 6¼pc Pf., Jones Stroud, Motorola, ELECTRICITY (12) East Midlands, Eastern, London, Midlands, Natl. Power, Northern, Norweb, PowerGen, Seaboard, South Wales, South Western, Yorks., ELECTRONICS (2) Diploma, Farnell, ENG GEN (7) Clyde Blowers, Fairey, Hall, Metalrax, Powerscreen, SEP, Transfer Tech., FOOD MANUF (1) Cranswick, FOOD RETAILING (2) ASDA, M & W, HEALTH & HSEHOLD (4) Amersham, Assoc. Nursing Servs., Bespak, Paterson Zochonis, HOTELS & LEIS (2) Barr & WAT, Manchester Utd., INSCE COMPOSITE (1) Domestic & Gen., INSCE LIFE (3) Britannic, Lon. & Manchester, Utd. Friendly, INV TRUSTS (11) County Smlr Cos. Wts., EFM Japan, Do Wts., First Ireland, Do Wts., First Philippine, Fleming Enterprise, Fleming Japanese, Do Wts., Fulcrum Zero Pf., Mid Wynd, MEDIA (8) Anglia TV, Johnston Press, LWT 5.90625p Pf., MMI, Southnews, Utd. News, Watmoughs, Yorks. Tyne-Tees Wts., MTL & MTL FORMING (1) Triplex Lloyd, MISC (5) Brit Bloodstock, Lincoln, Portmeirion Potts., Spandex, Tamaris 8½pc Pf., OIL & GAS (6) BP, Bridge, Kelt Energy, Monument, Santos, Seafield Res., OTHER FINCL (3) Aitken Hume, BWD, First Natl. Fin. 7pc Pf., PACKG, PAPER & PRNTG (3) Brit. Polythene, Macfarlane, Wood (JD), PROP (10) Billon, Bradford, Debenham Tewson, Frogmore, Gt. Portland 9½pc Cv. '02, Land Sec., Lon. Merchant, Molyneux Ests., Property Sec., Town Centre, TEXTS (3) Celestion, Coats Viyella, Parkland, TRANSPORT (1) Mersey Docks, WATER (9) Chesn, East Surrey, Northumbrian, Severn, South Staffs., South West, Southern, Thames, Welsh, MINES (3) CRA, Sons Gwalia, Western.
NEW LOWS (13).
BLDG MATLS (1) Russell (A), ELECTRONICS (2) Molynx, Prestwick, HEALTH & HSEHOLD (1) Glaxo, HOTELS & LEIS (1) Eurocamp, INV TRUSTS (7) Aberforth Split Level Inc., Contra-Cyclical Inc., Derby Tst. Inc., M & G Dual Inc., M & G Inc., M & G Second Dual Inc., SPLIT Inc., MINES (1) Ennex.

FINANCIAL TIMES EQUITY INDICES

	Mar 17	Mar 16	Mar 15	Mar 12	Mar 11	Year ago	High	Low
Ordinary share	2249.0	2273.3	2269.8	2268.0	2294.5	1925.8	2299.5	1670.0
Ord. div. yield	4.37	4.32	4.32	4.30	4.26	4.64	5.34	4.23
Earning yld % full	6.15	6.07	6.07	6.05	5.98	6.80	-	-
P/E ratio net	20.25	20.53	20.52	20.59	20.80	19.19	22.01	15.79
P/E ratio nil	18.72	18.97	18.97	19.03	19.23	18.20	-	-
Gold Mines	97.1	97.7	98.0	97.6	95.8	121.3	160.6	60.0

*for 1992/93. Ordinary share index since compilation: high 2299.5 10/3/93 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2256.9	2243.1	2252.7	2250.4	2247.5	2250.8	2247.8	2246.6	2247.9	2256.9	2241.7

Volume	Mar 17	Mar 16	Mar 15	Mar 12	Mar 11	Year ago
SEAQ Bargains	32,410	32,193	38,837	46,356	43,730	29,810
Equity Turnover(£m)†	-	1301.2	1203.5	1541.7	1853.8	867.2
Equity Bargains†	-	37,334	43,608	51,706	48,184	33,429
Shares traded (mil)†	-	508.1	502.2	701.5	686.6	385.8

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2889.9 −29.4	3125.9 +7.0	1414.57 −10.22

	Mar 17	Day's change %	Mar 16	Mar 15	Mar 12	Year ago	Earnings yield %	Dividend yield %	P/E Ratio	Xd adj ytd
FT-SE 100	2889.9	−1.0	2919.3	2922.4	2915.9	2464.7	6.27	4.18	20.41	19.96
FT-SE Mid 250	3125.9	+0.2	3118.9	3112.0	3099.5	2445.8	6.60	4.06	19.16	12.67
FT-SE-A 350	1431.7	−0.7	1442.4	1442.9	1439.1	1196.9	6.34	4.16	20.12	8.99
FT-SE SmallCap	1562.13	−0.2	1564.69	1561.21	1562.01	−	5.21	4.06	26.79	7.33
FT-SE SmallCap ex Inv Trusts	1571.55	−0.1	1573.22	1569.10	1569.12	−	5.78	4.29	24.78	6.60
FT-A ALL-SHARE	1414.57	−0.7	1424.79	1424.95	1421.34	1185.78	6.27	4.15	20.43	8.75
1 CAPITAL GOODS(211)	950.73	−0.6	956.22	951.76	946.83	789.42	5.85	4.42	22.35	6.70
2 Building Materials(27)	974.07	−0.6	979.87	966.72	944.64	936.25	5.32	5.43	26.02	1.15
3 Contracting, Construction(29)	825.47	+0.4	822.47	807.09	806.94	876.14	2.91	5.80	80.00†	3.51
4 Electricals(14)	2722.37	−0.8	2744.78	2719.10	2689.05	2432.80	5.36	5.33	24.55	4.67

Hourly movements

FT-SE Actuaries 350 Industry Baskets

LONDON SHARE SERVICE

BRITISH FUNDS

OTHER FIXED INTEREST

Continued on next page

EQUITY FUTURES AND OPTIONS TRADING

UNCERTAINTY over the full effects of changes in advance corporation tax following the Budget, along with fading hopes of a cut in interest rates in both the UK and Germany, led to a nervous trading session in the derivatives market, writes Joel Kibazo.

In the futures, initial selling of the March contract on the FT-SE 100 Index, which opened at 2,887, saw it dip to 2,874 by 9am. This turned out to be the low of the day, for good healthy buying soon brought about a recovery in the contract, sending it forward to trade at 2,897 by 10am.

March then drifted back to the 2,885 level, where it hovered for the next few hours as strong two-way business was conducted. With a dull Wall Street having no significant effect during the afternoon, March closed at 2,886, a 3-point discount to the underlying cash market. Turnover was good and it had reached 14,214 lots by the close.

In traded options, volume improved to 35,367 contracts. The Euro FT-SE 100 option was particularly busy after a leading securities house was reported to have sold the April 2,875 straddle. It saw a total of 6,890 lots, while 11,506 contracts were dealt in the FT-SE 100 option.

Lasmo was the most active stock option, with 2,001 trades registered, followed by J. Sainsbury with 1,956 lots and Barclays with 1,082 contracts.

AMERICANS

Notes	Price £	+ or –	1992/93 high	1992/93 low	Mkt Cap£m	Yld Gr's
Abbott Labs	18xd	–⅛	21⅛	14⅝	15,864	2.6
Allegheny & W ♥	645p	–25	671p	228p	283.2	3.8
Amdahl	559p	—	1159p	438p	627.8	1.2
Amer Cyanamid	35⅞	–⅛	35⅞	26⅞	3,211	3.2
Amer Express	18¼xd	—	19½	10¼	8,962	3.7
Amer T & T	39[illegible]xd	–[illegible]	40⅞	20¼	53,112	2.3
Ameritech	52¾	+1⅛	52¾	32½	23,095	4.8
BankAmerica	30¼xd	—	30¼	19[illegible]	12,498	2.7
Bankers NY	50[illegible]xd	+[illegible]	51[illegible]	29⅝	4,078	4.2
Bell Atlantic	37	+½	39⅛	23⅛	16,017	4.6
BellSouth	36⅛	+[illegible]	38⅝	25	18,018	5.0
Bethlehem Steel ♥	12¼xd	–⅛	13¼	5⅞	1,108	–
Bowater	1678pxd	–6	1682p	805p	605.1	1.6
CPC h	33[illegible]xd	+[illegible]	34⅝	22⅞	5,140	2.4
Cadiz Land Inc ♥	115p	—	342p	108p	–	–
California Engy	1479p	—	1479p	591p	289.3	–
Chase Manhattan	24⅛xd	+[illegible]	24½	9⅛	3,767	3.4
Chrysler	27⅝xd	+⅛	28⅞	6¼	8,016	1.5
Citicorp	20[illegible]xd	+[illegible]	20[illegible]	5⅞	7,471	–
Colgate-Palm	44⅝xd	—	45⅝	25¼	7,125	1.9
Cont'l Bank	1791p	+26	1795p	468p	1,869	2.3
Dana	31⅝xd	—	34[illegible]	14[illegible]	1,490	3.5
Data General	926p	–8	1004p	384p	255.5	–
Decora Inds ♥	146p	—	146p	68p	–	–
Dun & Brad	41½	+⅛	42⅞	27⅞	7,394	3.6
Eaton	58½	–[illegible]	59⅝	32½	2,023	2.6
Echlin	17¼xd	–⅛	18⅞	7⅞	886.6	2.8
FPL	26xd	+[illegible]	27⅝	17[illegible]	4,723	6.6
Ford Motor	33⅞	–⅛	35[illegible]	15	16,321	2.1
Gen Elect	60xd	+[illegible]	61⅛	36¾	51,342	2.9
General Host ♥	686p	+17	723p	360p	–	3.7
Gillette	42⅛xd	–[illegible]	42⅝	23[illegible]	9,256	1.2
Hasbro	20⅞	—	23½	12⅞	1,815	0.8
Honeywell	22[illegible]xd	+[illegible]	24⅞	16	3,102	2.7
Houston Inds	32	–[illegible]	33¾	22	4,144	6.4
IBM	36⅛xd	—	54½	29⅝	21,758	3.9
Ingersoll-Rand	22¼xd	–[illegible]	25	12[illegible]	2,324	2.2
Lockheed	42½	+⅛	42½	22⅞	2,807	3.4
Lowe's h	2737p	—	2251p	615½p	1,589	0.9
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

Titan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Travis Perkins	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tudor	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Unigroup	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Waterbow	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Wickes	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Wolseley	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS

OIL & GAS - Cont.

PACKAGING, PAPER & PRINTING - Cont.

TELEPHONE NETWORKS

MINES - Cont.

METALS & METAL FORMING

TEXTILES

PROPERTY

MISCELLANEOUS

INVESTMENT COMPANIES

OTHER FINANCIAL

TRANSPORT

MEDIA

OTHER INDUSTRIALS

STORES

MOTORS

PACKAGING, PAPER & PRINTING

OIL & GAS

WATER

	Notes	Price	+ or -	1992/93 high	low	Mid CapEm	Yld Gr's	P/E
Anglian	§†□	529	+7	538	308½	1,560	4.9	9.6
Bristol Water	†	915	+5	920	495	54.9	4.1	11.8
Chesm A	†	248		250	170	12.5	4.0	11.4
B N/V	†	240		240	135	6.75	4.2	11.0
East Surrey	†	333		340	200	41.8	3.8	8.8
Mid Kent	†	285		285	183	48.7	4.4	9.1
North West	†□	517	+7	524	323	1,845	5.1	9.1
Northumbrian	§†□	628	+10	638	338	420.8	4.4	6.5
Severn Trent	§†□	513	+7	520	298	1,821	5.0	7.5
Southern	†□	532	+12	537	301	880.5	4.9	9.4
South Staffs	†	1285		1300	670	69.4	4.2	8.3
South West	§†□	555	+11	558	305	691.5	5.2	8.4
Thames	§†□	536	+1	544½	324	2,090	4.8	10.1
Welsh	†□	583	+8	585	337	855.7	4.8	6.8
Wessex	†g□	628	+4	*636	358½	776.2	4.1	8.5
Yorkshire	†□	573	+4	575	336	1,139	4.5	9.3

SOUTH AFRICANS

	Notes	Price	+ or -	1992/93 high	low	Mid CapEm	Yld Gr's	P/E
Anglo Am Ind		£8¾		£14⅝	£7½	599.7	6.2	φ
Barlow Rand		£8¾	+⅛	£10⅜	£5½	1,323	5.6	3.4
Gold Flds Prop		61		118	49	6.24	18.0	φ
NK Props.	b	96		97	62½	3.82	15.2	3.6
OK Bazaars	‡	168		183	71	166.4	‡	–
SASOL		285	+10	345	190	1,669	5.8	φ
SA Brews		948	+38	1020	665	5,043	2.8	φ
Tiger Oats		660	-13	750	512	978.4	2.7	13.5
Tongaat-Hulett		300		400	187	241.6	5.3	7.1

PLANTATIONS

MINES

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

□ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
φ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
§ Free annual/interim report available, see details below.
⚘ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
†† Not officially UK listed; dealings permitted under Rule 535(2)
# Price at time of suspension
¶ Indicated dividend yield after pending scrip and/or rights issue.
♦ Merger bid or reorganisation in progress
§ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1225 a year for each security shown, subject to the Editor's discretion

FT Annual Reports Service

You can obtain the current annual/interim report of any company annotated with §. Ring +44 81-643 7181 (open 24 hours including weekends) or fax +44 81-770 0544, quoting the code FT7738. Reports will be sent the next working day, subject to availability. Please remember to state the weekly changing code above.

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Unit Trust Managers Limited (1000)F						
51 Belmont Rd, Uxbridge Middx UB8 1RZ 0895 259783						
AIB Grofund American	5	166.6	168.4	177.3	-1.50	0.00
AIB Grofund Equity	5	206.4	209.0	221.1	-1.10	3.59
AIB Grofund Euro	5	162.5	163.1	173.5	-1.50	0.57
AIB Grofund Expt Balanced	1	104.0	106.2	109.5	-	1.77
AIB Grofund Gilt	3	78.19	78.34	80.76	-0.03	5.00
AIB Grofund Japan	5	141.5	143.1	150.6	+2.20	0.00
AXA Equity & Law Unit Tst Mngrs (1200)H						
Equity & Law Hse, Corporation St, Coventry 0203 553231						
General Inc	5	418.7	420.5xd	447.4	-3.3	2.59
General Acc	5	459.7	461.7xd	491.2	-3.7	2.59
UK Growth Acc	6	307.5	311.7	331.7	-3.0	2.90
UK Growth Inc	6	220.5	223.5	237.8	-2.1	2.90
Higher Inc Acc	6	552.3	560.1	595.9	-2.2	4.03
Higher Inc Inc	6	340.7	345.5	367.6	-1.3	4.03
Gilts/F'xd Int Acc	5½	175.8	175.8xd	185.6	-0.7	6.65
Gilts/F'xd Int Inc	5½	92.13	92.13xd	97.30	-0.36	6.65
Nth America	6	266.6	272.2	289.6	-1.6	0.00
Far East	6	261.5	261.5	278.2	+2.1	0.35
Europe	6	216.7	216.7xd	230.6	-2.3	1.24
Brit Excell	6	63.66	63.66	67.73	-0.68	2.90
Brit Fndmtls Acc	6	83.53	83.53xd	88.87	-0.27	5.30
Brit Fndmtls Inc	6	64.80	64.80xd	68.94	-0.22	5.30
Global Opps	6	70.64	70.64	75.15	-0.22	0.00
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd Bournemouth 0345 717373						
Gilts & Fixed Int	6	129.3	129.3xd	137.0	-0.4	6.93
High Inc Equity	6	147.7	150.4	160.0	-0.9	5.31
Worldwide Bond	6	266.5	266.5xd	282.6	-0.8	4.42
American Growth	6	299.4	299.4	320.2	-1.2	.62
Asian Pacific	6	209.5	214.2	227.8	-1.1	.85
Assets & Earnings	6	225.2	229.6	244.2	-1.5	2.60
Capital Reserve Acc	0	125.0	125.0	125.1	-	5.94
Comdty & Energy	6	70.82	70.82xd	75.74	-0.37	1.11

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Britannia Life Unit Managers Ltd (1200)F						
50 Bothwell Street, Glasgow G2 6HR 041-223 6020						
Balanced Growth	6	93.89	94.91	101.51	-0.74	2.39
Do (Accum)	6	102.51	103.62	110.83	-0.80	2.39
Smaller Cos	6	76.66	78.26	83.70	-0.19	1.81
Do (Accum)	6	82.90	84.62	90.50	-0.20	1.81
Higher Yield	6	37.49	37.96	40.60	-0.27	4.52
Do (Accum)	6	51.15	51.79	55.39	-0.37	4.52
American Gth Inc	6	58.62	58.62xd	62.70	-0.36	0.00
Do (Accum)	6	59.74	59.74	63.89	-0.37	0.00
European Growth	6	93.50	93.75xd	100.27	-0.67	1.78
Do (Accum)	6	94.80	95.06	101.66	-0.68	1.78
Global Bond Inc	6	29.54	29.65	31.45	-0.16	5.78
Do (Accum)	6	36.38	36.51	38.73	-0.20	5.78
Managed P'folio Inc	6	34.32	34.37xd	36.76	-0.15	1.54
(Do Accum)	6	34.56	34.61	37.02	-0.15	1.54
Pacific Growth Accum	6	89.49	90.42	96.70	+0.99	1.17
Intl Spec Opps Accum	6	85.09	86.38	92.39	-0.28	1.09
Brown Shipley & Co Ltd (1000)F						
9-17 Perrymount Rd Haywards Hth 0444 412262						
Mngd P'folio Inc	6	92.11	92.11	98.10	+0.10	2.12
Mngd P'folio Acc	6	174.1	174.1	185.4	+0.20	-
UK General	6	148.8	148.8	158.5	-1.00	3.20
European Inc	6	22.87	22.87	24.60	-0.24	0.46
European Acc	6	23.62	23.62	25.41	-0.25	-
Financial	6	117.3	117.3xd	124.9	-0.40	3.56
Foundation	6	73.65	75.41xd	80.31	+0.02	3.49
German	6	43.44	43.44	46.55	+0.58	0.09
Growth Inc (5-1)	5	28.44	28.44	30.33	-0.06	3.06
Growth Acc (5-1)	5	33.11	33.11	35.31	-0.07	-
High Income	6	70.17	70.60xd	75.90	-0.54	7.27
Income	6	124.1	126.4	135.2	+0.10	4.29
Intl Income	6	90.01	90.01	95.86	-0.39	5.03
Intl Growth ‡	6	32.97	32.97	35.28	-0.26	0.22
Monthly Income	6	68.65	70.78	75.38	-0.04	4.47
North American	6	107.2	107.2	115.2	-0.90	0.19
Orient ‡	6	104.9	104.9	113.0	+1.10	-
Recovery	6	35.90	37.33	40.13	+0.09	2.94
Smaller Cos Acc	6	263.8	278.4	297.9	+0.20	-
Smaller Cos Inc	6	154.5	163.0	174.4	-0.10	1.32
Brycourt Unit Tst Mngmt Ltd (1400)F						
Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382						
Income Growth	1	196.9	196.9	202.31	..	6.17
Buckmaster Mangmt Co Ltd (0930)H						
15 St Botolph Street, London EC3A 7JJ 071-247 4542						
Fellowship Tst	5¼	63.07	63.75xd	67.82	-0.64	1.36

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (◆) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

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Sharp (Albert E.) & Co (1000)F

[illegible]

Sheppards Unit Trust Mngmt Ltd (1200)F

[illegible]

Whittingdale Unit Tst Mgmt Ltd (0830)F

[illegible]

Woolwich Unit Trust Managers Ltd (1700)H

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

INSURANCES

[illegible]

Acuma Life Assurance Ltd

[illegible]

Cannon Assurance Ltd (z)

[illegible]

Crown Financial Management Ltd

[illegible]

Guardian Royal Exchange

[illegible]

Legal & General – Contd.

[illegible]

Midland Life Limited

[illegible]

Continued on next page

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Prolific Life & Pensions Ltd				
Stramongate, Kendall, Cumbria LA9 4UB 0539 733733				
Managed Fund see Balanced Growth Managed Fund				
Life Funds				
Adventurous Mngd.	169 3	180 2	-0.8	-
Balanced Gwth Mngd.	688 8	732.8	-2.3	-
Cautious Mngd.	130.9	139.3	-0.7	-
Cash Fd.	318 8	336.0	...	-
Property Fund	217.1	231.0	...	-
Gilt Fund 20	452.8	481.8	-2.2	-
Equity Fund	793.8	844.5	-2.0	-
Fxd Int. Fund	425 2	448 1	-1.3	-
International	353 1	375.7	-0.4	-
High Income	619.4	659 0	-2.6	-
Technology	474 0	504.3	-1 7	-
North American	486 6	517.7	-2.9	-
Far East	469 7	499.7	+0 7	-
Special Sits.	559.9	595.7	-1 8	-
Extra Inc Fd.	332.3	353.6	-1.4	-
American Income	194 2	206.7	-1.1	-
Convertible & Gilt Fd.	162.0	172.4	-0 8	-
European Fund	127 3	135.5	-0.9	-
Pref & Fixed Int.	116 0	123 5	-0 7	-
UK Blue Chip	119.8	126.3	-1 0	-
Recovery Fund	121.2	127 8	...	-
Equity Income Dist.	111 1	118 2	-0.5	5 08
Managed Dist.	105.0	111.8	-0.5	5.77
High Yield Dist.	105 8	111 5	-0.5	7.75
Pension Funds				
Adventurous Mngd Pens Acc.	180 6	190.2	-1 0	-
Balncd Gth Mngd Pens Acc.	813 6	856.5	-4 1	-

[illegible]

Reliance Mutual

J Rothschild Assurance PLC

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance plc

Scottish Provident Institution

Scottish Widows' Group

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Albany International Assurance Ltd

CMI Insurance Co Ltd

Century Life International Ltd

Eagle Star Intl Life

Equitable Life (International)

Eurolife Assurance Group

Hansard International Ltd.

Isle of Man Assurance Ltd

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

MANAGEMENT SERVICES

Capital Trust Financial Management

Chase de Vere PLC

Foster & Braithwaite Ltd

Hambros Financial Services

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

[illegible]

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
R & H Fund Managers Ltd				
LFM Sterling Fd	£11.45	11 94		-
B.F. Offshore Inc Fd Ltd	£12 68	13 21		-
TABC Offshore Fd	£10 19	11 04		-

JERSEY (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey 0534 36633						
AIB Currency Funds Ltd						
AIB Guaranteed Currency Fund Limited						
Barclays International Funds						
PO Box 152 St Helier, Jersey CI 0534 67888						
Australian Eq (Inc)	5¼	£1 091	1.097	1.173		0 9
Currency Funds						
Bond Funds						
Capital House Fund Mgrs (CI) Ltd (0900)H						

	Bid Price	Offer Price	+ or -	Yield Gross
Northgate Unit Tst. Mngr. (Jersey) Ltd				
Pacific Fund Mar 4	$36 32	38 62		-
Perpetual UT Mngrs (Jersey) Ltd				
The Portugal Fund Limited				
Lloyds Bank Trust Company (Channel Islands) Ltd				
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd				
Ivory Growth Fund	£16 46	16.71		1 43
LFM Defensive Strtgy	£11 91	12.56		-
Royal Trust Intl Fd Mngt Ltd				
Sterling Fxd Int Unit	101.10	102.20d	+0 20	6 75
International Bond Unit	$1 152	1 164d	-0 012	5 15
(Prices on Mar 10. Next dealing Mar 24)				
Schroder Mngt Services (Jersey) Ltd				
Schroder Money Funds Ltd				
Sterling	£37 0592		+0 0311	4 74
US $	$48 9780		+0 0160	1 89
D-Mark	DM884 9133		+0 1230	7 49
Swiss franc	SFr78.3606		+0.0524	4.28
Yen	Y5189.01		+1 931	1 96
Scimitar Worldwide Money Fund Ltd				
Sterling	£25.9300			6.84
US $	$37.4207		+0.0024	2.45
D-Mark	DM81 8939		+0 0159	7 22
Swiss Franc	SFr60 4925			5 44
Japanese Yen	Y7722 7951		+0 0218	2.50
Australian $	A$41.8118			5 14
Canadian $	C$34 5683			5 14

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Market expects rate cut

THE DOLLAR failed to break through the DM1.6670 barrier against the D-Mark yesterday, even though dealers continued to assume that the Bundesbank would cut its officially posted interest rates at its council meeting today, *writes James Blitz.*

The dollar operated in a tight range between DM1.6615 and DM1.6670 throughout European trading, continuing the pattern of recent days. The currency later closed at DM1.6640 virtually unchanged on the day.

Economic indicators in the US continued to emerge in the dollar's favour. US consumer prices rose 0.3 per cent in February, raising suggestions that the Federal Reserve might contemplate tightening policy as the country climbs out of recession.

Perceptions about the Bundesbank's monetary policy also continued to be "dollar-positive." The German money market is clearly expecting a 50 basis point cut in the German discount rate when the Bundesbank's policy-making central council meets today. A cut in short-term German rates would further narrow the gains that investors receive for holding D-Marks.

The conclusion of a Solidarity Pact between the German government and opposition at the weekend was seen as one reason why the Bundesbank might ease policy today.

One dealer also suggested that the Bundesbank would be under strong pressure to widen the difference between the discount rate floor and the rate at which funds are offered to commercial banks on a weekly basis. That differential is currently only 35 basis points, and this provides the central banks with insufficient flexibility in its weekly operations.

There are reasons, too, to be cautious about a cut today. The terms of the Solidarity pact do not legislate for a reduction in the German budget deficit over the next two years, and some dealers suggested yesterday that the Bundesbank had been trying to play down the implications of the agreement.

The Bundesbank's announcement that it would not be holding a press conference after its meeting also caused a few jitters, as this is thought to indicate that nothing of significance will be forthcoming. However, the timetable and decisions of recent meetings have had a highly flexible air.

Perceptions of an easing in German rates helped sterling to make new gains against the D-Mark, although the main impetus here was Tuesday's budget statement. Mr Norman Lamont's claim that the current level of interest rates was compatible with the government's objectives for inflation and growth has given a firm underpinning to the pound, which closed at DM2.4150, up 1¼ pfennigs on the day.

The pound briefly traded above the DM2.42 level at one stage. However, a London-based analyst claimed that the pound was being bought in short-term speculative trading rather than longer-term institutional activity.

£ IN NEW YORK

Mar 17	Latest	Previous Close
£ Spot	1.4505-1.4515	1.4480 1.4490
1 month	0.36-0.35pm	0.36 0.35pm
3 months	0.93-0.91pm	0.93 0.91pm
12 months	2.56-2.48pm	2.58 2.48pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Mar.17	Previous
8.30 am	77.9	77.2
9.00 am	77.9	77.7
10.00 am	78.0	77.7
11.00 am	78.0	77.6
Noon	78.0	77.7
1.00 pm	78.0	77.7
2.00 pm	78.1	77.8
3.00 pm	78.0	77.9
4.00 pm	78.1	77.7

CURRENCY RATES

Mar 17	Bank ‡ rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.951620	0.805139
U S Dollar	3.00	1.37433	1.16761
Canadian $	6.09	1.71819	1.46278
Austrian Sch	8.25	16.0577	13.6646
Belgian Franc	7.50	46.9677	39.9820
Danish Krone	11.50	8.78059	7.45987
D-Mark	8.00	2.28221	1.94197
Dutch Guilder	7.50	2.56794	2.18238
French Franc	10	7.76703	6.59876
Italian Lira	11.50	2208.82	1873.57
Japanese Yen	2.50	162.240	136.669
Norway Krone	-	9.70758	8.25794
Spanish Peseta	-	163.147	138.677
Swedish Krona	11.50	10.8022	9.05728
Swiss Franc	5.50	2.08994	1.77769
Greek Drach	19	N/A	263.273
Irish Punt	-	N/A	0.799187

‡ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland.
† European Commission Calculations
* All SDR rates are for Mar 16

CURRENCY MOVEMENTS

Mar 17	Bank of England Index	Morgan** Guaranty Changes %
Sterling	78.1	-31.70
U S Dollar	66.6	-11.50
Canadian Dollar	97.0	-5.40
Austrian Schilling	115.2	+16.90
Belgian Franc	116.0	+2.00
Danish Krone	118.8	+12.70
D-Mark	125.2	+32.10
Swiss Franc	110.1	+18.70
Dutch Guilder	119.6	+21.20
French Franc	109.6	-6.80
Lira	78.5	-36.20
Yen	165.2	+102.30
Peseta	99.0	-24.40

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Mar 16

OTHER CURRENCIES

Mar 17	£	$
Argentina	1.4480 - 1.4505	0.9990 - 1.0000
Australia	2.0450 - 2.0470	1.4105 - 1.4115
Brazil	32782.0 - 32841.0	22630.0 - 22630.5
Finland	8.6915 - 8.7265	6.0000 - 6.0300
Greece	322.750 - 329.200	222.750 - 227.210
Hong Kong	11.2120 - 11.2240	7.7350 - 7.7360
Iran	2200.00*	1485.00*
Korea(Sth)	1140.05 - 1158.40	789.20 - 795.40
Kuwait	0.44600 - 0.44700	0.30750 - 0.30800
Luxembourg	49.70 - 49.80	34.25 - 34.35
Malaysia	3.7565 - 3.7665	2.5940 - 2.5950
Mexico	4.5225 - 4.5255	3.1180 - 3.1200
N.Zealand	2.7205 - 2.7240	1.8755 - 1.8780
Saudi Ar	5.4265 - 5.4415	3.7495 - 3.7505
Singapore	2.3835 - 2.3895	1.6440 - 1.6450
S.Af (Cm)	4.6265 - 4.6370	3.1970 - 3.1990
S.Af (Fn)	6.7595 - 6.8320	4.6600 - 4.7100
Taiwan	37.85 - 38.00	26.10 - 26.20
U.A.E.	5.3195 - 5.3315	3.6715 - 3.6735

*Floating rate. Iran Official rate £98.50 $66.30

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Mar 17	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	142.150	138.677	-2.44	3.27	42
Irish Punt	0.809996	0.799187	-1.33	2.11	50
Dutch Guilder	2.20045	2.18238	-0.82	1.58	30
Belgian Franc	40.2802	39.9820	-0.74	1.50	25
Portuguese Escudo	180.624	179.474	-0.64	1.39	10
D-Mark	1.95294	1.94197	-0.56	1.32	22
Danish Krone	7.44934	7.45987	0.14	0.60	-17
French Franc	6.54988	6.59876	0.75	0.00	-54

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu, a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Mar 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4450 - 1.4545	1.4505 - 1.4515	0.38-0.36cpm	3.06	1.01-0.98pm	2.74
Canada	1.8100 - 1.8180	1.8145 - 1.8155	0.22-0.08cpm	0.99	0.31-0.13pm	0.48
Netherlands	2.7000 - 2.7225	2.7100 - 2.7200	¼-½cdis	-1.93	¾-1¼dis	-1.57
Belgium	49.40 - 49.80	49.70 - 49.80	7-11cdis	-2.17	22-26dis	-1.93
Denmark	9.2325 - 9.2975	9.2750 - 9.2850	9½-12½oredis	-14.22	20½-24dis	-9.59
Ireland	0.9890 - 0.9935	0.9925 - 0.9935	0.44-0.50cdis	-5.68	1.24-1.33dis	-5.18
Germany	2.4000 - 2.4175	2.4125 - 2.4175	¼-½pfdis	-2.17	1¼-1¼dis	-1.97
Portugal	221.50 - 223.00	222.00 - 223.00	180-201cdis	-10.27	490-529dis	-9.16
Spain	171.50 - 172.75	172.45 - 172.75	143-160cdis	-10.53	370-385dis	-8.75
Italy	2317.25 - 2333.00	2331.25 - 2332.25	9-11lirdis	-5.15	29-32dis	-5.23
Norway	10.2350 - 10.2800	10.2650 - 10.2750	1¼-3¼oredis	-2.63	5½-8¼dis	-2.68
France	8.1600 - 8.2175	8.2050 - 8.2150	3¾-4¼cdis	-5.94	10¾-11¾dis	-5.54
Sweden	11.2575 - 11.3575	11.3225 - 11.3325	2½-4½oredis	-3.71	8¼-11¼dis	-3.53
Japan	169.00 - 170.50	169.50 - 170.50	½-¼ypm	3.09	1¼-1⅛pm	2.79
Austria	16.91 - 17.03	16.97 - 17.00	2-2¾grodis	-1.72	6¾-8¼dis	-1.71
Switzerland	2.2025 - 2.2275	2.2175 - 2.2275	¼-parcpm	0.67	½-¼pm	0.79
Ecu	1.2385 - 1.2480	1.2430 - 1.2440	0.31-0.36dis	-3.23	0.89-0.98dis	-3.01

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.77-1.72pm. 12 Month 2.85-2.75pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Mar 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4450 - 1.4545	1.4505 - 1.4515	0.38-0.36cpm	3.06	1.01-0.98pm	2.74
Ireland†	1.4585 - 1.4640	1.4590 - 1.4600	1.07-1.02cpm	8.59	2.85-2.75pm	7.67
Canada	1.2500 - 1.2535	1.2510 - 1.2520	0.18-0.22cdis	-1.92	0.65-0.72dis	-2.19
Netherlands	1.8650 - 1.8720	1.8700 - 1.8710	0.73-0.76cdis	-4.78	1.98-2.04dis	-4.30
Belgium	34.15 - 34.35	34.25 - 34.35	14.00-15.00cdis	-5.07	39.00-42.00dis	-4.72
Denmark	6.3725 - 6.3975	6.3925 - 6.3975	6.75-9.00oredis	-14.78	18.00-22.50dis	-12.67
Germany	1.6590 - 1.6670	1.6635 - 1.6645	0.72-0.74pfdis	-5.26	1.94-1.97dis	-4.70
Portugal	153.20 - 153.80	153.35 - 153.45	170-180cdis	-13.69	470-490dis	-12.52
Spain	118.40 - 119.10	118.95 - 119.05	130-135cdis	-13.36	343-351dis	-11.66
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and Ecu are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Mar 17	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can Dollar	4½ - 4¼	5 - 4¾	5⅛ - 4⅞	5½ - 5¼	5⅞ - 5⅝	6⅜ - 6⅛
Dutch Guilder	8⅛ - 7⅞	7⅞ - 7⅝	7⅞ - 7⅝	7¾ - 7½	7¼ - 7	6⅞ - 6⅝
Swiss Franc	6½ - 6¼	5⅞ - 5⅝	5¼ - 5⅛	5⅛ - 5	4⅞ - 4⅝	4⅝ - 4⅜
D-Mark	8¾ - 8⅝	8⅜ - 8¼	8⅜ - 8¼	7⅞ - 7⅝	7⅜ - 7¼	6⅝ - 6⅝
French Franc	11¾ - 11½	11⅝ - 11⅜	11¾ - 11½	11¼ - 11	10 - 9¾	8⅞ - 8⅝
Italian Lira	12½ - 10½	11¼ - 10¾	11¼ - 10¾	11¼ - 10¾	11 - 10½	11 - 10½
Belgian Franc	8⅜ - 8⅛	8⅜ - 8⅛	8⅜ - 8⅛	7⅞ - 7⅝	7⅜ - 7⅛	7¼ - 7
Yen	3⅜ - 3¼	3¼ - 3⅛	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼
Danish Krone	13 - 12	16 - 14	18 - 16	16 - 15	13½ - 12½	11½ - 11
Asian $Sing	4 - 3	4 - 3	3½ - 2½	3¼ - 2¼	3¼ - 2¼	4 - 3
Spanish Peseta	16⅛ - 16	16⅛ - 16	16 - 15⅝	14⅞ - 14⅝	13⅞ - 13⅝	13⅛ - 13
Portuguese Esc	17 - 16½	17 - 16½	17 - 16¼	15¾ - 15¼	15 - 14½	14⅜ - 13⅝

Long term Eurodollars: two years 4⅛-4¼ per cent; three years 4⅝-4½ per cent; four years 5¼-5⅛ per cent; five years 5⅝-5½ per cent nominal. Short term rates are call for US Dollar and Japanese Yen, others, two days' notice.

EXCHANGE CROSS RATES

Mar.17	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.451	2.415	170.0	8.210	2.222	2.715	2332	1.815	49.75	172.6	1.243
$	0.689	1	1.664	117.2	5.658	1.531	1.871	1607	1.251	34.29	119.0	0.857
DM	0.414	0.601	1	70.39	3.400	0.920	1.124	965.6	0.752	20.60	71.47	0.515
YEN	5.882	8.535	14.21	1000.	48.29	13.07	15.97	13718	10.68	292.6	1015	7.312
F Fr.	1.218	1.767	2.942	207.1	10.	2.706	3.307	2840	2.211	60.60	210.2	1.514
S Fr.	0.450	0.653	1.087	76.51	3.695	1	1.222	1050	0.817	22.39	77.68	0.559
N Fl.	0.368	0.534	0.890	62.62	3.024	0.818	1	858.9	0.669	18.32	63.57	0.458
Lira	0.429	0.622	1.036	72.90	3.521	0.953	1.164	1000.	0.778	21.33	74.01	0.533
C $	0.551	0.799	1.331	93.66	4.523	1.224	1.496	1285	1	27.41	95.10	0.685
B Fr.	2.010	2.917	4.854	341.7	16.50	4.466	5.457	4687	3.648	100.	346.9	2.498
Pta	0.579	0.841	1.399	98.49	4.757	1.287	1.573	1351	1.052	28.82	100.	0.720
Ecu	0.805	1.167	1.943	136.8	6.605	1.788	2.184	1876	1.460	40.02	138.9	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100% [illegible]

LIFFE EURO SWISS FRANC OPTIONS SFr 1m points of 100% [illegible]

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100% [illegible]

LIFFE EUROMARK OPTIONS DM1m points of 100% [illegible]

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS Lira 200m 100ths of 100% [illegible]

LIFFE SHORT STERLING OPTIONS £500,000 points of 100% [illegible]

LONDON (LIFFE)

9% NOTIONAL BRITISH GILT* £50,000 32nds of 100% [illegible]

US TREASURY BONDS 8%* $100,000 32nds of 100% [illegible]

6% NOTIONAL GERMAN GOVT. BOND* DM250,000 100ths of 100% [illegible]

6% NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL) DM250,000 100ths of 100% [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100% [illegible]

12% NOTIONAL ITALIAN GOVT. BOND (BTP)* LIRA 200m 100ths of 100% [illegible]

10% NOTIONAL SPANISH GOVT. BOND (BONOS) Pta 20m 100ths of 100% [illegible]

THREE MONTH STERLING* £500,000 points of 100% [illegible]

THREE MONTH EURODOLLAR* $1m points of 100% [illegible]

THREE MONTH EUROMARK* DM 1m points of 100% [illegible]

THREE MONTH ECU* ECU 1m points of 100% [illegible]

THREE MONTH EURO SWISS FRANC SFr 1m points of 100% [illegible]

THREE MONTH EURO LIRA INT. RATE LIRA 1,000m points of 100% [illegible]

FT-SE 100 INDEX* £25 per full index point [illegible]

* Contracts traded on APT. Closing prices shown.

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100% [illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100% [illegible]

JAPANESE YEN (IMM) Y12.5m $ per Y100 [illegible]

DEUTSCHE MARK (IMM) DM125,000 $ per DM [illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100% [illegible]

BRITISH POUND (IMM) $ per £ [illegible]

SWISS FRANC (IMM) SFr 125,000 $ per SFr [illegible]

STANDARD & POORS 500 INDEX $500 times index [illegible]

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1) [illegible]

PARIS

7 to 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES [illegible]

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate) [illegible]

CAC-40 FUTURES (MATIF) Stock index [illegible]

ECU BOND (MATIF) [illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls April	Calls June	Calls September	Puts April	Puts June	Puts September
115	-	-	-	0.05	0.41	0.77
116	1.15	1.68	-	0.03	0.66	1.01
117	0.36	1.09	1.67	0.30	1.06	1.44
118	0.09	0.65	1.19	-	-	-
119	0.01	0.33	-	-	-	-
Open Int	29,286	174,946	29,576	16,549	106,039	25,763

Estimated volume 27,781 † Total Open Interest 386,216
† All Yield & Open Interest figures are for the previous day

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4510	1.4473	1.4411	1.4336	1.4230

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williman Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	Unibank plc	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Yorkshire Bank	6
Citibank NA	6	●Leopold Joseph & Sons	6		
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

German futures fall

SHORT-DATED D-Mark futures fell back sharply yesterday after a Bundesbank council member was reported to have said that the time was not ripe for cuts in official German interest rates, *writes James Blitz.*

Money market dealers were clearly expecting today's Bundesbank council meeting to cut the Lombard and discount rates, which currently stand at 9.00 and 8.00 per cent respectively, by 50 basis points.

UK clearing bank base lending rate 6 per cent from January 26, 1993

Three-month German cash continued to hover at around 7.75 per cent, a good ¼ percentage point below the level at which the Bundesbank offers cash to commercial banks in its weekly securities repurchase tender.

However, Mr Reimut Jochimsen, a Bundesbank council member, was reported to have told a financial news agency that the Bundesbank should not cut rates while inflation remains stubbornly high.

His comment spoiled the generally optimistic mood in Germany, and the June Euromark contract fell back 6 basis points to close at 93.18.

The mood in the German money market in the run-up to today's council meeting has certainly not been promising. Money market conditions remain tight because of the introduction of minimum reserve requirements.

German call money yesterday came down to 8.50 per cent from 8.60 per cent earlier in the day after the Bundesbank injected a net DM16.4bn into the market.

The allocation was described by some dealers as generous, but others pointed out that it was rather meagre when other factors were taken into account. The recent issue of short term bills – or Bulis – and the tax collection season have removed a lot of liquidity from the market.

In sterling markets, the June futures contract remained under strong pressure following the UK chancellor's indication in the UK budget that the level of UK base rates was consistent with economic recovery.

The June contract closed at 94.29, some 6 basis points down from its previous finish. At this level it is pricing 3-month money in the summer at 5.71 per cent. Three-month cash closed yesterday at 5 11/16 per cent, unchanged on the day.

Tight liquidity conditions in the discount market pushed the overnight rate as high as 30 per cent at one stage.

FT LONDON INTERBANK FIXING

(11.00 a.m. Mar.17) 3 months US dollars		6 months US Dollars	
bid 3⅛	offer 3¼	bid [illegible]	offer [illegible]

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds [illegible]

Mar 17	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Mar 17	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month [illegible] per cent; three months [illegible] per cent. Bank Bills (sell): one-month [illegible] per cent; three months [illegible] per cent. [illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

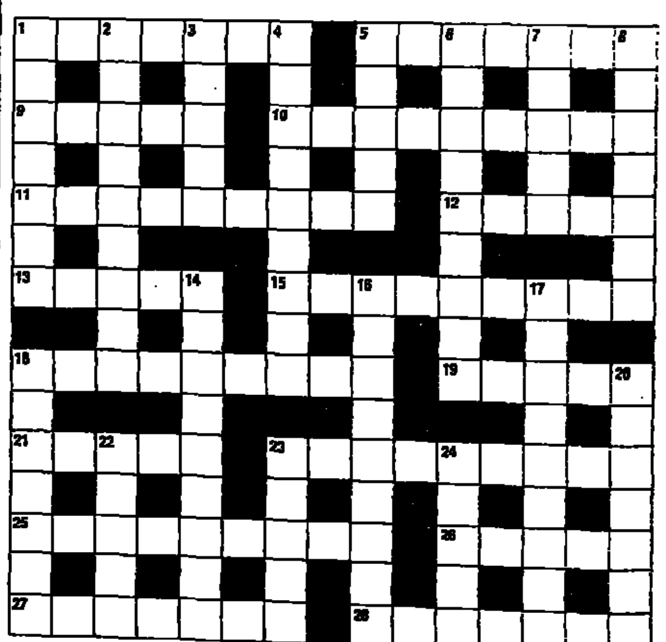
[illegible]

Money Market Bank Accounts

[illegible]

CROSSWORD

No.8,104 Set by VIXEN



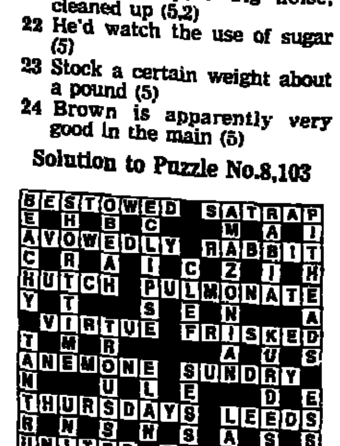
ACROSS

1 Builders can idle in this country (7)
5 Duck from the river with vegetable on the side (7)
9 A time of enchantment (5)
10 Splits caused by views taken about a trap maybe (9)
11 Some people tucked in at home (9)
12 Turn in everything – eventually (5)
13 Appliances for the over-50s (5)
15 Made free, so gets reprimand for breaking cover (9)
18 Sorrowful forecaster never given credit (9)
19 Record always filled in by conservationists (5)
21 Jack remains – must be put out (5)
23 See what lies in store? (4,5)
25 A game of no great concern (9)
26 Beg for some cash to get ahead (5)
27 Making runs is a change for him! (7)
28 Exploits to inspire a boy (5,2)

DOWN

1 Pressing for a little time (7)
2 Lifts might well be given to several (9)
3 Designate a levy to be raised (5)
4 Faded – without 9 – so broken up (9)
5 A Greek character in a hole will get the bird (5)
6 Newly formed orchestra having considerable drawing capacity (4-5)
7 Continue to work as a historian (5)
8 Note one's to look after swell (7)
14 What a person may eat at length when all wound up (9)
16 This writer backed all alternatives (5,4)
17 They needle their clients constantly! (9)
18 Honoured companion given yellow room (7)
20 The playboy, a big noise, cleaned up (5,2)
22 He'd watch the use of sugar (5)
23 Stock a certain weight about a pound (5)
24 Brown is apparently very good in the main (5)

Solution to Puzzle No.8,103



WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close March 17

Quotations in cents unless marked $

MONTREAL

4 pm close March 17

Total Sales 19,713,200 shares

INDICES

NEW YORK

DOW JONES	Mar 16	Mar 15	Mar 12	Mar 11	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3442.95	3442.41	3427.82	3457.00	3478.34 (10/3/93)	3136.58 (9/10/92)	3478.34 (10/3/93)	41.22 (2/7/32)
Home Bonds	106.35	106.33	106.47	106.50	106.50 (11/3/93)	98.41 (20/3/92)	106.50 (11/3/93)	54.99 (1/10/81)
Transport	1536.63	1538.04	1538.85	1554.96	1589.61 (8/2/93)	1204.40 (26/8/92)	1589.61 (8/2/93)	12.32 (8/7/32)
Utilities	237.79	238.60	237.54	240.74	241.99 (10/3/93)	200.74 (8/4/92)	241.99 (10/3/93)	10.50 (8/4/32)

DJ Indl. Day's High 3468.72 (3460.51) Low 3423.77 (3412.96) (Theoretical♦)
Day's High 3449.16 (3442.41) Low 3438.35 (3426.47) (Actual♦)

STANDARD AND POOR'S

	Mar 16	Mar 15	Mar 12	Mar 11	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	451.37	451.43	449.83	453.72	456.33 (10/3/93)	394.50 (8/4/92)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials	518.94	519.85	517.52	521.77	524.99 (10/3/93)	470.91 (8/4/92)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	44.98	44.93	44.95	45.35	45.43 (10/3/93)	32.40 (8/4/92)	45.43 (10/3/93)	8.64 (1/10/74)
NYSE Composite	248.81	248.97	248.15	250.20	251.36 (10/3/93)	217.92 (8/4/92)	251.36 (10/3/93)	4.46 (25/4/42)
Amex Mkt. Value	423.68	422.94	421.09	422.31	423.08 (16/3/93)	364.85 (9/10/92)	423.08 (16/3/93)	29.31 (9/12/72)
NASDAQ Composite	685.47	685.21	692.78	684.28	708.85 (4/2/93)	547.84 (26/6/92)	708.85 (4/2/93)	54.87 (31/10/72)

	Mar 12	Mar 5	Feb 26	year ago (approx.)
Dow Industrial Div. Yield	2.98	2.99	3.02	2.84

	Mar 10	Mar 3	Feb 24	year ago (approx.)
S & P Industrial div. yield	2.44	2.48	2.53	2.61
S & P Indl. P/E ratio	26.62	26.18	26.88	28.61

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Ethan Allen	3,496,900	20¼	—
Citicorp	3,018,300	29⅝	+ ⅞
Waste Man	2,946,000	35¾	- 2⅛
Chem Waste	2,752,000	17¼	- 2
Marion Merill	2,490,800	19	- 3⅞
Merck	2,409,000	37⅝	- 1
Bristol Myers	2,197,600	58⅛	- 1½
Eli Lilly	2,053,500	48¾	- 2
PSI Resources	2,005,200	23⅞	+ 1⅝
Humana	1,929,500	8¼	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	Mar 16	Mar 15	Mar 12
New York SE	217.730	192.690	244.740
Amex	15.899	12.753	13.184
NASDAQ	229.269	187.578	228.299
NYSE			
Issues Traded	2,481	2,481	2,480
Rises	937	1,035	550
Falls	939	838	1,380
Unchanged	605	590	550
New Highs	122	107	80
New Lows	11	11	17

CANADA

TORONTO	Mar 16	Mar 15	Mar 12	Mar 11	1992/93 HIGH	1992/93 LOW
Metals & Minerals	2885.30	2888.00	2902.97	2906.14	3238.87 (16/1/92)	2529.91 (17/11/92)
Composite	3556.77	3562.05	3548.06	3562.42	3666.00 (16/1/92)	3195.40 (14/10/92)
MONTREAL Portfolio	1840.86	1838.02	1829.10	1833.56	1937.59 (16/1/92)	1663.16 (14/10/92)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation. ♣ Amended figure.

	Mar 17	Mar 16	Mar 15	Mar 12	1992/93 HIGH	1992/93 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1675.6	1659.3	1626.4	1661.5	1684.50 (22/5/92)	1357.20 (16/11/92)
All Mining (1/1/80)	658.2	652.1	633.9	646.7	726.80 (3/7/92)	545.40 (16/11/92)
AUSTRIA						
Credit Aktien (30/12/84)	349.69	352.08	352.79	349.42	459.57 (24/2/92)	291.41 (13/8/92)
Traded Index (2/1/91)	829.79	838.08	840.85	836.23	1089.43 (24/2/92)	682.96 (13/8/92)
BELGIUM						
BEL20 (1/1/91)	1247.99	1245.40	1242.58	1240.0	1249.29 (10/3/93)	1046.07 (2/9/92)
DENMARK						
Copenhagen SE (3/1/83)	279.77	278.80	279.50	280.31	365.29 (15/1/92)	250.42 (28/10/92)
FINLAND						
HEX General (28/12/90)	985.2	982.0	963.1	991.3	1006.20 (11/3/93)	541.00 (7/9/92)
FRANCE						
CAC General (31/12/81)	527.27	529.23	529.40	528.51	555.93 (12/5/92)	441.70 (7/10/92)
CAC 40 (31/12/87)	1987.28	1975.25	1986.03	1985.18	2077.49 (11/5/92)	1611.04 (5/10/92)
GERMANY						
FAZ Aktien (31/12/58)	667.05	669.68	672.79	675.25	725.26 (26/5/92)	565.61 (12/10/92)
Commerzbank (1/12/53)	1879.50	1887.20	1897.10	1901.80	2043.80 (25/5/92)	1594.60 (12/10/92)
DAX (30/12/87)	1685.08	1697.83	1702.57	1707.14	1811.57 (25/5/92)	1420.30 (8/10/92)
HONG KONG						
Hang Seng Bank (31/7/64)	5858.33	5980.04	5854.67	6170.4	6508.00 (9/3/93)	4301.78 (2/1/92)
IRELAND						
ISEQ Overall (4/1/88)	(u)	1393.82	1393.16	1386.73	1469.57 (17/1/92)	1094.88 (19/10/92)
ITALY						
Banca Com. Ital. (1972)	492.74	502.42	508.42	514.24	551.59 (6/2/92)	354.93 (18/8/92)
MIB General (4/1/93)	1089.0	1109.0	1121.0	1136.0	1186.00 (2/3/93)	992.00 (11/1/93)
JAPAN						
Nikkei (16/5/49)	18173.37	17968.30	18086.18	18037.52	23801.18 (8/1/92)	14309.41 (18/8/92)
Tokyo SE (Topix) (4/1/68)	1365.65	1344.71	1353.60	1350.94	1763.43 (6/1/92)	1102.50 (18/8/92)
2nd Section (4/1/68)	1730.82	1717.70	1710.40	1698.18	2459.85 (6/1/92)	1502.77 (19/8/92)
MALAYSIA						
KLSE Composite (4/4/86)	640.39	637.79	634.81	638.05	660.35 (5/11/92)	546.63 (14/1/92)
NETHERLANDS						
CBS Tst.Rtn.Gen.(End 1983)	328.8	325.8	325.0	323.1	327.40 (10/3/93)	274.00 (8/1/92)
CBS All Shr (End 1983)	218.9	219.2	218.7	217.4	220.30 (10/3/93)	188.70 (25/8/92)
NORWAY						
Oslo SE (Ind) (2/1/83)	773.82	781.19	781.53	789.01	781.53 (15/3/93)	532.43 (25/8/92)
PHILIPPINES						
Manila Comp (2/1/85)	1458.04	1475.78	1471.65	1494.88	1580.85 (11/6/92)	1083.01 (17/3/92)
SINGAPORE						
SES All-Singapore (2/4/75)	417.23	415.53	412.88	417.82	421.27 (24/2/93)	351.41 (21/10/92)
SOUTH AFRICA						
JSE Gold (28/9/78)	1069.0♥	1077.0	1052.0	1038.0	1327.00 (21/1/92)	746.00 (10/11/92)
JSE Industrial (28/9/78)	4448.0♥	4445.0	4482.0	4489.0	4689.00 (4/8/92)	3936.00 (19/10/92)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	663.05	637.87	645.73	628.16	709.77 (8/1/93)	459.07 (21/8/92)
SPAIN						
Madrid SE (30/12/85)	234.55	235.50	237.73	237.41	286.51 (28/2/92)	179.48 (5/10/92)
SWEDEN						
Affarsvarlden Gen. (1/3/37)	1016.00	1017.80	1000.10	1012.50	1039.60 (8/3/93)	639.00 (5/10/92)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	946.1	950.4	953.4	940.7	954.00 (11/3/93)	749.50 (8/1/92)
SBC General (1/4/87)	728.3	727.5	730.2	724.7	733.80 (11/3/93)	596.40 (28/8/92)
TAIWAN**						
Weighted Price (30/6/66)	4511.52	4489.98	4507.00	4584.53	5391.63 (30/1/92)	3098.43 (9/1/93)
THAILAND						
Bangkok SET (30/4/75)	906.26	905.12	805.51	918.26	998.44 (26/1/93)	667.84 (19/5/92)
WORLD						
M.S. Capital Intl.(1/1/70) $	522.1*	520.7	520.1	520.8	542.10 (7/1/92)	467.50 (8/4/92)
Euro Top-100 (26/6/90)	937.48	940.15	940.88	940.97	976.55 (25/5/92)	772.52 (5/10/92)

**Saturday March 13: Taiwan Weighted Price: 4,413.84, Korea Comp Ex. 634.84
♥ Subject to official recalculation.
*Calculated at 15.00 GMT.

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500: (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Wednesday, March 17, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
NPN Steel	10.1m	320	+7	NEC	4.2m	756	
Nomura Sec	5.4m	1,740	+90	Nippon Comsys	3.4m	913	+38
Nippon Jutaku	5.3m	320	+35	Mitsui Fudosan	3.3m	1,140	+20
Nippon Oil	5.0m	650	-30	Marubeni	3.1m	400	+35
Nikko Sec	4.6m	790	+76	Hitachi	3.1m	757	-3

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close March 17

1992/93 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
15⅞	10¾	AAR Corp	0.48	4.1	21	515	11⅞	11½	11¾	+⅛
28½	18	A L Labs A	0.18	0.8	36	80	23	22⅞	22⅞	-½
68¾	52⅝	AMP Inc	1.60	2.6	22	1525	60¾	59½	60½	+⅞
80¼	54⅜	AMR			9	8530	60	59¼	59⅝	-½
2⅜	1⅜	ARX			10	24	1⅞	1¾	1¾	
53½	29⅞	ASA	2.00	5.4	24	406	37⅞	36⅞	37⅛	+⅜
34¼	22⅝	Abbott Lab	0.60	2.4	17	13079	25¾	25½	25½	-½
13⅞	10¼	Abitibi Pr	0.50	4.6	3	17	11⅛	11	11⅛	+¼
11⅝	10⅛	ACM Gvt In x	0.96	8.6		271	11⅛	11	11⅛	
10⅜	9	ACM GvOpp x	0.79	8.3		297	9¾	9½	9½	-¼
9¾	8½	ACM Gvt Sp	0.79	8.3		417	9⅝	9⅜	9½	+⅛
11⅜	9⅞	ACM Gvt Se	0.96	8.7		78	11⅛	11	11	
10⅞	8⅝	ACM Mgn x	1.08	10.0		56	u10⅞	10⅝	10¾	-⅛
12⅞	8⅝	ACM Managd x	0.78	8.4		338	9¼	9⅛	9¼	+⅛
11¾	4¾	Acme Cleve	0.40	5.1	18	185	8⅛	7⅞	7⅞	-⅛
9¼	3¾	Acme Elect			675	47	6¾	6½	6¾	-⅛
33¼	12⅛	Acuson			12	707	13⅛	13	13	
22¼	16⅛	Adams Expr	0.48	2.3	1	66	21⅜	21¼	21¼	-⅛
52⅞	29½	Ad Micro	3.00	5.9		250	51¾	49¾	50½	-1¼
24⅜	7½	Ad Micro P	3.00	13.0	8	6004	23¾	22½	23	-⅝
9⅛	4⅞	Advest Grp	0.16	2.3	14	19	7	7	7	
47¾	33	Aegon ADR	1.35	2.8	8	68	47⅝	47⅝	47⅝	-⅛
53¾	38	Aetna Lf	2.76	5.8	960	815	49⅜	47⅝	48	
14½	8⅜	AHI A	0.24	2.0	29	619	12	11¾	11⅞	-¼
36⅞	24	Aflac	0.44	1.3	15	1405	35	34⅜	34⅝	-½
22⅛	13	Ahmanson	0.88	4.2	10	2123	21⅛	20¾	20⅞	-¼
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Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Telekurs

NASDAQ NATIONAL MARKET

4 pm close March 17

- A - B - C - D - E - F - G - H - I - J - K - L - M - N - O - P - Q - R - S - T - U - V - W - X - Y - Z -

AMEX COMPOSITE PRICES

4 pm close March 17

AMERICA

Equities mark time in spite of inflation data

Wall Street

US equities marked time yesterday morning, with prices barely moving in spite of reports of surprisingly high inflation data for February, *writes Karen Zagor in New York.*

At 1 pm, the Dow Jones Industrial Average was down 4.59 at 3,438.36. The more broadly based Standard & Poor's 500 was 1.57 lower at 449.80, while the Amex composite eased 1.72 to 421.36, and the Nasdaq composite fell 5.79 to 689.68. Trading volume on the NYSE was nearly 141m shares by 1 pm, and declines outnumbered rises by 1,058 to 735.

Although the Dow fell by more than 9 points shortly after trading started, it quickly recovered most of its losses and moved in a narrow range through the morning.

There was some concern about inflation, following reports that the core consumer price index rose by 0.5 per cent in February, above the anticipated 0.3 per cent. Including the mercurial food and energy components, the index was 0.3 per cent higher for February.

Shares in Micron Technologies plunged $3⅞ to $24¼ after the commerce department said that it would subject South Korean competitors to surprisingly light tariffs. Dynamic random access memory chips, known as D-RAMs, made by South Korean companies, will *be subject to duties of 0.74 per* cent to 7.19 per cent. The industry had expected duties of *at least 10 per cent.*

The ruling also hurt shares in Texas Instruments, which *dropped $2⅛ to $59⅞.*

The drug sector continued to reflect investor concern about government controls on pharmaceuticals prices, and drug company stocks were among the most active in morning NYSE trading. Merck fell $1⅛ to $36⅝, Glaxo Holdings lost $⅝ to $18, Johnson & Johnson tumbled $1½ to $40½ and Pfizer fell $1⅜ to $58¼.

Marion Merrill Dow, which *plunged $4 on Tuesday after* the company warned of a substantial drop in first quarter sales, regained $⅛ to $19.

Among active blue chip issues, Philip Morris slipped $⅛ to $64½ and Chrysler held steady at $39⅝.

Merrry-Go-Round, a specialty fashion stores group, climbed $1¼ to $16 after signing an agreement to buy Melville's Chess King division.

A bout of profit-taking hit casino and gambling-related issues after *strong gains in* recent weeks. Promus dropped $2⅞ to $69⅝ and President Riverboat *Casinos lost $2⅞ to* $54.

Carnival Cruise firmed $⅝ to $38½ *after it said that it had* agreed to sell one of its cruise ships to a new company to be *formed by three companies,* including Carnival. Each of the three cruise lines, which include Miami-Based Dolphin Cruise Line and Epirotiki Lines, will have an equal stake in the new company.

In Nasdaq trading, technology stocks saw heavy trading. Sun Microsystems slid $⅛ to $30⅝, Oracle Systems was unchanged at $35½ and Intel fell $3⅛ to $116⅝.

Canada

TORONTO saw limited activity at midsession with the TSE-300 index 9.87 lower at 3,546.90 in volume of 24.6m shares valued at C$211m.

Among active stocks, Ranger Oil was C$⅛ weaker at C$6 after announcing that it would not receive some $33m in petroleum revenue tax repayments under proposed changes to the UK's oil revenue tax. In the metals sector, Lac Minerals fell C$⅛ to C$8⅞.

EUROPE

Buba still keeps the Continent guessing

BOURSES seemed slightly worried about the absence of a Bundesbank news conference today, *writes Our Markets Staff.*

FRANKFURT approached *the interest rate prospect* with something less than enthusiasm, the DAX index falling *12.75 to 1,685.06, its fourth* consecutive decline.

Turnover fell slightly from DM6.1bn to DM6.0bn.

Carmakers fell after a bearish review of the industry from Merck Finck in Düsseldorf, BMW leading the rout with a fall of DM9 to DM478. Otherwise, shares which moved appreciably on the day were mostly speculative.

Asko, the retailer, up from DM604 at the end of February, apparently on hopes that the Christmas quarter will produce good figures, fell DM50, or 6.8 per cent to DM685; and Deutsche Babcock, the engineer which indicated good orders, but poor profits prospects earlier this week, dropped another *DM9.20, or 5.9 per cent to* DM147.

Among utilities, VEW put on another DM3.50 to DM245.50 for a gain of 11 per cent this month. Mr Patrick Shields at NatWest Securities said that there had been a story that VEW, which has the greatest dependence in the industry on gas for the production of electricity, could be in the market for Hoesch's 8 per cent stake in Ruhrgas, Germany's largest gas supplier.

PARIS lost its way late in the day after the CAC-40 index had risen to a high of 1,980, falling back to close 7.97 lower at 1,967.28. Turnover was a modest FFr2.4bn. The decline was partly attributed to a feeling that the Bundesbank might not cut interest rates at its regular meeting today.

LVMH advanced FFr78 to FFr3,369 ahead of today's results. Analysts are particularly interested in the group's expectations of 1993 performance, given the depressed state of some of its interests, such as *champagne. However,* since the shares having underperformed the market by some *16 per cent over the last three* months, some analysts believe that there is room for a technical rally.

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

March 17 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1149.59	1149.19	1148.44	1146.75	1147.07	1145.84	1145.63	1146.10
FT-SE Eurotrack 200	1217.39	1216.69	1216.42	1215.03	1214.72	1213.90	1213.92	1214.92

	Mar 16	Mar 15	Mar 12	Mar 11	Mar 10
FT-SE Eurotrack 100	1151.53	1153.62	1145.86	1163.60	1167.52
FT-SE Eurotrack 200	1222.33	1219.52	1212.44	1232.53	1231.98

Base value 1000 (26/10/90) High/day: 100 - 1149.99; 200 - 1217.39 Low/day: 100 - 1144.50 200 - 1212.77.

Eurotunnel rose FFr1.05 to FFr41.00 following the UK government's reaffirmation yesterday of its commitment to a high speed rail link between London and the channel tunnel.

MILAN saw some heavy selling by foreign institutions in early trading but there was a slight recovery in the after market. The Comit index finished down 9.68 at 492.74.

The market was not moved by Tuesday's good results from *Banco Ambrosiano Veneto.* The shares fell L50 to L4,190 although the bank announced a 31 per cent increase in net profit, this in spite of doubling its reserves for bad debts.

Olivetti continued to be the focus of investors' attention, but the shares managed a modest upturn: after fixing down L44 to L1,781 they rose to L1,845 on the kerb.

Doubts over the future of the country's privatisation programme increased after Monday's announcement that Iri, the state holding group, was to take a loan from Stet in exchange for granting the latter the *dividend rights* in Banco Commerciale. Stet fixed down L62 at L2,083 while Commerciale was L49 weaker at L4,670.

AMSTERDAM moved higher on better than expected results from the steel group, Hoogovens. The CBS Tendency index rose 0.7 to 106.2.

Hoogovens reported a 1992 loss of Fl 595m but forecast a turnround in the first half of 1993 on improved demand for its products. The shares picked up Fl 2.30 to Fl 27.30.

In contrast, Grolsch, the brewer, lost Fl 5.40 to Fl 204.50 on slightly disappointing results and plans for a five-for-one share split. Elsevier was Fl 1.30 down at Fl 126.50 ahead of today's results.

ZURICH looked apprehensively at the Bundesbank, at other equity markets and, again, at plans for US healthcare reform. The SMI index fell 11.3 to 2,138.5 with chemicals particularly weak, Roche certificates falling SFr60 to SFr4,020.

HELSINKI rallied on strong demand for industrial shares, local hopes of a German interest rate cut and by a rebound from recent losses. The Hex index rose 2.4 per cent to 985.0 in turnover of FM72.1m. ISTANBUL dropped 1.7 per cent for an aggregate fall of 3 per cent over the past two days, cautious ahead of a six-day holiday starting next Tuesday. The market index closed 96.45 lower at 5,620.37.

Bombs rock Bombay in budget aftermath

R.C. Murthy on a market which has seen speculation, and savage disappointment

The 29-storey Jijobhoy Towers, home of the Bombay Stock Exchange, was rocked by two powerful bombs last Friday, leaving 60 dead and 200 *injured. The market reopened* on Monday in an attempt to return to normal.

It has had to compromise – trading has been restricted to an hour a day, and dealing has moved back to the traditional ring, where it stopped a year ago. Dealers seemed to like this, the BSE index rising by 5.6 per cent on Monday and Tuesday. But another bomb blast in Calcutta triggered nervous selling yesterday, and the index came back by 50.62, or 2.1 per cent, to 2,409.23.

All this has taken place against a volatile background: the Bombay equity market, over the past six weeks or so, has had to contend first with unusually bullish speculation, before the national budget on February 27, and subsequently with some savage expressions of disappointment.

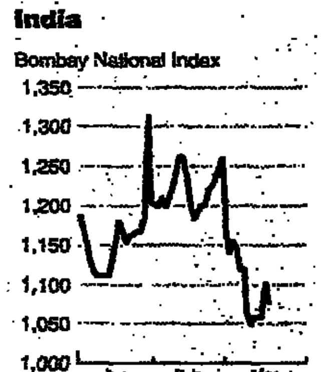
Dr Manmohan Singh, the Indian finance minister, disappointed traders in the budget at the end of last month. He postponed corporate tax reforms by a year, denying hopes of a tax cut recommended by an expert group. He did reduce excise and import duties on a broad front, but left out the cement and steel *sectors, where share prices had* been boosted by pre-budget speculation.

To top it all, Dr Singh refused to equate domestic investors with their overseas *counterparts in taxing* short-term capital gains. He lowered the tax to 30 per cent from 65 per cent for expatriate Indians and foreign investors but for local investors it remained at 44.5 per cent.

Taking the tax concessions for granted, *traders had driven* up share prices in February to make a kill later. Instead, the budget turned out to be a nightmare. While industry and business welcomed the state*ment which, for once, did not* propose any new tax, Professor Rusi Taraporewala, the stock *market theorist and academic,* said a reduction in import duties would leave corporate profits ex-growth this year.

The relative lack of financial concessions meant that disappointed traders sold with a vengeance and, until the weekend, the market seemed bottomless as equity prices plummeted to a 13-month low. Overseas investors fuelled the downtrend as they sold some half a million shares of Reliance Industries, arbitraging between the share price on the Bombay stock exchange and the market price of its Euro-

India



issue of global depository receipts (GDRs).

The opportunity arose after a change in Indian regulations which allows international investors to convert GDRs into the underlying stock. At the current conversion rate of Rs31 per US dollar, the Reliance GDR fetched Rs170 per share against the BSE quotation of *Rs210.*

The BSE 30-share index plunged by more than one-fifth *to 2,287 on March 10, from 2,893* at the post-budget trading session on February 27. Share *prices rebounded last week,* taking the index to 2,361 and the uptrend, on balance, has continued this week in spite of the bomb blast on Friday.

Whether or not the surge will turn into a strong rally will depend on the ability of bulls to maintain their momentum. They are hoping that foreign portfolio investment will pick up with the restoration of trading after "Black Friday", and the successful sale of Reliance stock on the BSE by international investors.

The Indian stock markets have been passing through a series of crises since December, when activists of the Bhartiya Janta party pulled down the Babri mosque at Ayodhya, sparking off communal riots.

Mr Mark Bulloch of Jardine Fleming takes the domestic political situation in his stride. "Nothing dramatic has happened as far as foreign investors are concerned," he says. "They are appraising the political situation."

In the meantime, there is no compulsion for local investors to sell. In this, they are more fortunate than they were in previous years, when they were under pressure to take advantage of a long-term capital gains tax exemption before the financial year ended in March. The exemption has been replaced by a flat 20 per cent tax this year which, according to dealers, puts bulls and bears on an even footing.

ASIA PACIFIC

Nikkei climbs to year's high on economic hopes

Tokyo

THE NIKKEI average closed at the year's high after senior Liberal Democratic party members called for a stimulus package larger than last August's emergency measures, *writes Emiko Terazono in Tokyo.*

The 225-issue average gained 205.07 at 18,173.37, helped by a rise in the futures market. The index fell to the day's low of 17,953.45 in the morning and hit the day's peak of 18,242.70 just before the close.

Volume was almost unchanged at 350m shares, against 345m, and advancing stocks led losers by 757 to 257, with 137 issues unchanged. The Topix index of all first section stocks climbed 20.94 to 1,365.65, reflecting broad-based buying, and in London the ISE/Nikkei 50 index added 3.72 at 1,094.42.

Institutional investors bought large-capital shares which had lost ground on prof*it-taking on Tuesday.* Traders said the yen's rise against the dollar had also encouraged *buying in shipbuilding issues,* steels and power utilities. An improvement in the futures *market also brought in arbi*trage buying, while individual investors traded speculative stocks.

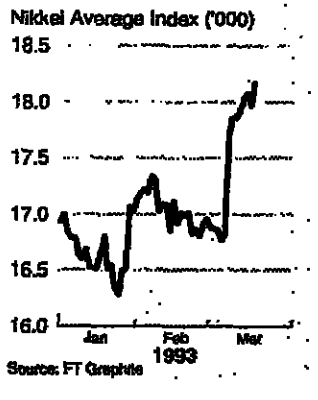
Nippon Steel was the day's most active issue, rising Y7 to Y320, while Tokyo Electric Power moved ahead Y70 to Y2,800.

Reports that leading brokers will see better profits for the current year to March, boosted by the recent market rally, left securities houses up 4.3 per cent on the day. Nomura Securities was the second most active stock, appreciating Y90 to Y1,740, while Nikko Securities advanced Y76 to Y790 and *Wako Securities Y54 to Y494.*

Telecom-related issues continued to rise on strength in Nippon Telegraph and Telephone, which finished Y10,000 higher at Y812,000. Nippon Comsys, a telecom engineering company, was Y36 stronger at Y913.

Fujisawa Pharmaceutical gained Y27 at Y958 on buying by short term speculators. The stock has risen by 21 per cent since the start of the month on *an approval recommendation* for its immuno-suppressant drug by a Health Ministry com*mittee.*

Japan



Sugar refiners were firmer on a rise in domestic and overseas sugar futures markets following reports of damaged crops in Cuba, the world's largest sugar exporter. Mitsui Sugar put on Y4 at Y432 and Nippon Beet Sugar Y6 at Y548.

In Osaka, the OSE average moved up 127.40 to 19,119.83 in volume of 46.3m shares.

Roundup

MARKETS IN the region were generally stronger, while Hong Kong remained resilient.

HONG KONG recovered *most of the day's losses after* shedding some 219 points initially as investors reacted to comments from Beijing, further attacking the democratic reform proposals of Mr Chris Patten, the colony's governor. The Hang Seng index finished a net 21.71 down at 5,958.33 in turnover of HK$4.1bn.

Some observers commented that certain proposals put forward by the Chinese authorities were not as worrying as had been expected.

Jardine Matheson group subsidiaries began to report, with Jardine International Motor Holdings showing a sharp rise in earnings, although the latter slipped 25 cents to HK$6.55.

AUSTRALIA ended at a nine-month high as investors remained optimistic that there would be a cut in interest rates. The All Ordinaries index added 16.3 at 1,675.6, its best close since June 4 last year. Volume came to 238.1m shares worth A$499.6m, with rises exceeding falls by five-to-three.

*Among the banks, Common*wealth rose 7 cents to A$7.95, NAB moved forward 17 cents *to A$8.78 and ANZ climbed 10* cents to A$3.44.

NEW ZEALAND continued *to feature Telecom, which* closed at another record high, up a cent at NZ$2.86, as the NZSE-40 index advanced 5.79 to 1,590.48 in turnover of NZ$30m.

SEOUL more than regained Tuesday's losses, responding to an improvement in relations between North and South Korea. The composite index rebounded 25.18 to 663.05, while volume was 37.35m shares valued at Won483.2bn.

SINGAPORE was stronger but lost some of its gain late in the session on profit-taking. The Straits Times Industrial index put on 13.28 at 1,662.63 in volume of 127m shares.

SOUTH AFRICA

INDUSTRIALS were encouraged by budget news of a lower company tax rate and the index gained 3 at 4,448. The overall index shed 2 to 3,451 and golds 9 to 1,068. De Beers lost 40 cents to R66.25 but was off the day's low.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited *in conjunction with the Institute of Actuaries and the Faculty of Actuaries*

NATIONAL AND REGIONAL MARKETS	TUESDAY MARCH 16 1993								MONDAY MARCH 15 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992/93 High	1992/93 Low	Year ago (approx)
Australia (68)	137.30	+2.3	140.87	101.37	118.71	129.63	+2.1	3.81	134.15	138.65	100.49	115.88	126.97	153.68	108.18	142.12
Austria (18)	147.40	+0.0	151.24	108.83	127.45	127.19	−0.1	1.77	147.40	152.35	110.42	127.33	127.30	186.70	131.16	174.48
Belgium (42)	145.33	+0.1	149.11	107.29	125.65	122.75	+0.3	4.93	145.16	150.03	108.73	125.39	122.43	152.27	131.19	139.57
Canada (113)	123.27	−0.5	126.47	91.00	106.57	111.57	−0.1	3.00	123.84	127.99	92.76	106.97	111.73	142.12	111.36	128.76
Denmark (33)	198.85	+0.0	204.02	146.81	171.92	172.75	−0.1	1.33	198.80	205.46	148.91	171.72	172.84	273.94	181.70	235.96
Finland (23)	70.02	−1.4	71.84	51.70	60.54	88.76	−1.7	1.43	71.02	73.40	53.20	61.35	90.33	89.80	52.84	78.82
France (96)	155.34	−0.6	159.38	114.68	134.29	137.74	−0.5	3.18	156.25	161.49	117.03	134.96	138.42	168.75	136.93	152.96
Germany (62)	112.60	−0.4	115.52	83.14	97.35	97.35	−0.3	2.19	113.04	116.83	84.68	97.64	97.64	129.69	101.59	118.43
Hong Kong (55)	238.97	+2.2	245.19	176.43	206.62	237.34	+2.2	3.87	233.84	241.68	175.16	202.00	232.25	262.28	176.36	209.76
Ireland (16)	141.78	−0.1	145.47	104.68	122.58	136.74	+0.1	3.84	141.94	146.70	106.32	122.61	136.66	173.71	122.96	159.08
Italy (73)	57.91	−2.1	59.42	42.76	50.07	69.59	−1.9	2.90	59.15	61.14	44.31	51.09	70.90	80.86	47.47	70.27
Japan (472)	115.24	+0.6	118.24	85.08	99.65	85.08	−0.8	0.98	114.51	118.35	85.77	98.93	85.77	140.95	87.27	105.70
Malaysia (69)	277.12	+1.0	284.33	204.59	239.59	277.12	+0.8	2.39	274.40	283.60	205.54	237.03	274.93	282.42	212.49	239.08
Mexico (18)	1526.08	−0.1	1565.78	1126.72	1319.44	5203.34	+0.0	1.15	1527.55	1578.76	1144.22	1319.52	5203.34	1789.77	1185.84	1615.37
Netherland (24)	163.34	+0.2	167.59	120.59	141.22	139.33	+0.3	4.06	163.04	168.50	122.12	140.84	138.93	169.70	147.88	150.38
New Zealand (13)	46.10	+1.0	47.30	34.04	39.86	46.40	+0.9	4.71	45.64	47.17	34.19	39.42	45.97	48.52	37.39	45.25
Norway (22)	151.62	+0.3	155.56	111.94	131.09	145.66	+0.5	1.81	151.09	156.16	113.18	130.52	144.94	192.95	128.05	167.92
Singapore (38)	216.12	+1.2	221.75	159.57	186.86	163.88	+1.2	2.03	213.58	220.74	159.98	184.49	161.96	229.63	179.65	209.38
South Africa (60)	162.84	−1.2	167.08	120.22	140.79	167.46	+0.0	3.00	164.84	170.37	123.47	142.39	167.47	263.60	134.21	203.32
Spain (46)	125.01	−0.5	128.26	92.30	108.08	112.17	−0.7	5.38	125.63	129.84	94.10	108.52	113.02	161.72	107.10	153.95
Sweden (36)	161.98	+2.9	166.19	119.59	140.05	186.80	+2.1	1.85	157.39	162.66	117.90	135.96	183.02	200.28	149.69	184.48
Switzerland (56)	113.30	−0.3	116.25	83.66	97.97	106.91	−0.3	2.03	113.70	117.51	85.17	98.23	107.29	122.37	95.99	98.59
United Kingdom (226)	170.20	+0.7	174.63	125.65	147.14	174.63	+0.0	4.20	169.02	174.68	126.59	145.98	174.68	200.07	161.86	172.43
USA (522)	184.26	+0.0	189.05	136.05	159.32	184.26	+0.0	2.75	184.34	190.52	138.09	159.25	184.34	186.27	160.92	167.35
Europe (775)	139.60	+0.1	143.23	103.07	120.71	133.56	−0.2	3.46	139.45	144.13	104.46	120.47	133.79	156.88	131.31	142.44
Nordic (114)	149.64	+1.6	153.54	110.48	129.38	151.19	+1.1	1.69	147.22	152.16	110.28	127.17	149.55	188.52	141.24	173.74
Pacific Basin (715)	120.08	+0.8	123.20	88.66	103.82	91.19	−0.5	1.31	119.11	123.11	89.23	102.89	91.61	141.97	93.70	110.43
Euro – Pacific (1490)	127.95	+0.5	131.28	94.46	110.62	108.03	−0.3	2.27	127.32	131.58	95.36	109.97	108.40	145.21	113.80	123.47
North America (635)	180.47	−0.1	185.16	133.26	156.06	179.33	−0.1	2.76	180.58	186.64	135.28	156.02	179.42	182.38	158.70	164.92
Europe Ex. UK (549)	120.66	−0.3	123.79	89.10	104.34	110.73	−0.3	2.95	121.01	125.07	90.66	104.55	111.04	132.98	111.33	123.68
Pacific Ex. Japan (243)	167.62	+1.9	171.98	123.78	144.94	153.74	+1.8	3.52	164.42	169.93	123.18	142.04	150.98	175.31	146.06	157.14
World Ex. US (1681)	129.00	+0.4	132.36	95.25	111.54	110.06	−0.3	2.29	128.45	132.75	96.22	110.96	110.41	146.91	115.99	125.48
World Ex. UK (1977)	144.38	+0.2	148.14	106.61	124.85	128.77	−0.2	2.30	144.12	148.96	107.96	124.51	129.06	150.58	127.21	135.44
World Ex. So. Af. (2143)	146.65	+0.2	150.46	108.28	126.80	132.46	−0.2	2.48	146.29	151.19	109.59	126.38	132.74	153.05	130.04	138.27
World Ex. Japan (1731)	164.67	+0.1	168.95	121.59	142.39	160.64	+0.0	3.02	164.53	170.04	123.25	142.14	160.62	166.44	151.93	157.33
The World Index (2203)	146.64	+0.2	150.46	108.27	126.80	132.80	−0.2	2.48	146.30	151.21	109.59	126.39	133.06	153.70	130.66	138.66

Latest prices were unavailable for this edition.

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